FOREIGN
BROADCAST
INFORMATION
SERVICE

# Daily Report

# East Asia

FBIS-EAS-96-157
Tuesday
13 August 1996

Dear Customer:

Responding to our many customers' requests, NTIS is offering FBIS publications electronically. Due to resource limitations, hardcopy production of FBIS publications will be phased out during 1996. Hardcopy reports which have already been discontinued include *Arms Control & Proliferation Issues, Environment & World Health, Narcotics, and Terrorism.*

Hardcopy publication of the regional DAILY REPORTS will cease as follows:

| | |
|---|---|
| 1 August | *China, Latin America* |
| 19 August | *Near East and South Asia, West Europe, Sub-Saharan Africa, West Europe Economic Review* |
| 2 September | *East Asia, East Europe, East Europe Economic Review* |
| 16 September | *Central Eurasia, Central Eurasia Military Affairs, Central Eurasia Economic Review* |

FBIS' goal is to cease publication of all hardcopy reports by 31 December 1996 except for S&T PERSPECTIVES, S&T CENTRAL EURASIA, S&T CHINA, S&T KOREA, S&T EUROPE, and S&T JAPAN. The S&T reports will continue to be published as hardcopy until the graphics they contain can be disseminated on-line.

FBIS products are offered electronically through the National Technical Information Service's (NTIS) "World News Connection" (WNC). This is a new on-line subscription service accessible through the World Wide Web. The Web address is http://wnc.fedworld.gov. Please see the next page for a subscription form or call NTIS Fax Direct at 703-487-4140 and enter product code 8645 to receive more information.

# World News Connection™

## A Foreign News Alert Service from the U.S. Government

**World News Connection - WNC1**........................................$ 21
7 Day - Introductory Offer
Unlimited interactive searching
[no profiles]
**Order number SUB-9856BDQ**

**World News Connection - WNC2**........................................$ 50
Monthly
Unlimited interactive searching
[no profiles]
**Order number PB95-985700BDQ**

**World News Connection - WNC3**........................................$ 75
Monthly
Unlimited interactive searching
[1 profile]
**Order number PB95-985800BDQ**

**World News Connection - WNC4**........................................$100
Monthly
Unlimited interactive searching
[up to 5 profiles]
**Order number PB95-985900BDQ**
*(Prices are subject to change)*

| **User Name** *(Please Print or Type)* | **Internet E-mail Address** *(Required)* | **Order Number** | **Price** |
|---|---|---|---|
| 1) | | | |
| 2) | | | |

**(Continue on a blank sheet if more space is required)**

**Deposit Account Number (for NTIS account customers only):** ____________________

**Customer Master Number (if known):** ____________________ **Date:** ____________________

**Contact Name:** ____________________ **Organization:** ____________________

**Street Address:** ____________________ **City:** ____________ **State:** ________ **Zip:** ________

**Province/Territory:** ____________________ **Country:** ____________________

**Foreign Postal Code:** ____________________

**Internet E-mail Address (Organization contact person):** ____________________

**Telephone Number:** (      ) ____________________ **Fax Number:** (      ) ____________________

**Credit Card Number:** ____________________

**Credit Card Expiration Date:** ____________________

**Card Type (Visa, Master Card, or American Express):** ____________________

**Cardholder's Name (as printed on the credit card):** ____________________

**Cardholder's Signature (required to validate all orders):** ____________________

**(Please fax this form back to NTIS at 703-321-8547. Fax service is available 24 hours a day, 7 days a week. To verify receipt of your fax, call (703) 487-4679 between 7:00am - 5:00pm, Monday - Friday, Eastern Time.)**

# Daily Report
## East Asia

*FBIS-EAS-96-157* CONTENTS *13 August 1996*

**NOTICE:** An * indicates material not disseminated in electronic form.

## INTER-ASIAN AFFAIRS

Indonesia's Alatas Addresses ASEAN Anniversary Function 8 Aug *[REPUBLIKA 9 Aug]* ... 1

## NORTHEAST ASIA

### Japan

Japan: Prefectures Protest Transfer of Okinawa Artillery Drills *[KYODO]* ... 2
Japan: Okinawa's Ota Seeking Information on U.S. Fighter Crashes *[KYODO]* ... 2
Japan: MOFA Spokesman Comments on U.S. Sanctions on Iran, Libya *[Japanese Ministry of Foreign Affairs WWW]* ... 2
Japan: MITI Criticizes U.S. Call for WTO Panels on Film Dispute *[KYODO]* ... 3
Japan: Officials Say Sumitomo To Quit Metal Trading in New York *[KYODO]* ... 3
Japan: MOF Rejects Foreign Firms' Protest on Insurance Rates *[KYODO]* ... 3
Japan: Enigma of DPRK's Counterfeit U.S. Currency *[AERA 29 Jul]* ... 4
Japan: Fuji Expects Objective Talks at WTO Panels *[KYODO]* ... 6
Tokyo, Brasilia Discuss Auto Issue at WTO *[KYODO]* ... 6
Japan: Auto Industry To Disclose Data on EU Imports *[KYODO]* ... 6
Tokyo, Seoul Agree on Early Settlement of 200-Mile Zone *[KYODO]* ... 7
Japan: Returning Visitors Say Crop Damage Serious But DPRK 'Calm' *[KYODO]* ... 7
Japan: Journalist on Arms Race in South China Sea *[SEKAI NO KANSEN Aug]* ... 8
Japan: Taiwanese Woman Accepts 'Sex Slave' Compensation *[KYODO]* ... 11
Japan: Pakistan Granted Loans for Infrastructure, Social Action *[KYODO]* ... 11
Japan: FY97 Budget Estimated To Total 80 Trillion Yen *[KYODO]* ... 11
Japan: NTT President Interviewed on Future Plans *[KYODO]* ... 12
Japan: Linking of Public, Leased Phone Lines Liberalized *[KYODO]* ... 13
Japan: Business Leaders Criticize Bureaucrats at Nikkeiren Seminar *[KYODO]* ... 13
Japan: KYODO Interviews New MITI Vice Minister Makino *[KYODO]* ... 14
Japan: Credit Firms Accused of Selling Data Leave Industry Body *[KYODO]* ... 14
Japan: Kajiyama Stresses Need for Emergency SDF Legislation *[MAINICHI SHIMBUN 8 Aug]* ... 15
Japan: New JADI Chairman Addresses Defense Industry Members *[GEKKAN JADI Jul]* ... 15
Japan: Developments in Defense Industry Viewed *[JIEITAI SOBI NENKAN 1 Jul]* ... 16
Japan: Mitsubishi Executive on Auto Parts Globalization *[NIHON NO JIDOSHA BUHIN KOGYO 30 May]* ... 23
Japan: MITI Official on Auto Parts Industry Policy *[NIHON NO JIDOSHA BUHIN KOGYO 30 May]* ... 26
Japan: MOT Officials on Auto Parts Industry Policy *[NIHON NO JIDOSHA BUHIN KOGYO 30 May]* ... 29

### North Korea

DPRK: Daily: 'Ulchi' Exercise Obstructs National Reunification. *[KCNA]* ... 33
DPRK: Paper Cited on Kim Yong-Sam's Cabinet Reshuffle *[KCNA]* ... 34
DPRK on Releasing South Korean Novelist Who 'Violated' Border *[KCNA]* ... 34
DPRK: ROK Accused of Trying To Obstruct World Aid to DPRK *[KCNA]* ... 34
DPRK: Last Day of Trial of Former ROK Presidents Noted *[KCNA]* ... 35
DPRK: Kim Yong-sam Group Berated for Blocking Pannational Rally *[KCNA]* ... 35

DPRK: Hanchongnyon Delegates Publish Written Address *[KCNA]* ........ 35
DPRK: Timetable for 7th Pannational Rally 13-15 Aug Noted *[KCNA]* ........ 36
DPRK: Pomchonghangnyon Delegates Arrive for Pan-National Rally *[KCNA]* ........ 36
DPRK: New Private Flood Aid Group Formed in Japan *[KCNA]* ........ 37
DPRK: Paper Cited on Japanese 'Military Expansion' *[KCNA]* ........ 37
DPRK: Hwang Chang-yop Meets Visiting Group From PRC's Xinjiang *[KCNA]* ........ 37
DPRK: Social Democratic Party Official Meets Brazilian Lawmakers *[KCNA]* ........ 38
DPRK Paper Congratulates ASEAN on Its Anniversary *[KCNA]* ........ 38
DPRK: 'Unprecedented' Floods Hit Sinuiju Area 12 Aug *[KCNA]* ........ 38
DPRK: Facilities at Najin Hotel No. 1 Described *[KCNA]* ........ 38
DPRK: Kim Chong-il Sends Birthday Greetings to Fidel Castro *[KCNA]* ........ 39
DPRK: Working People, Soldiers Visit Kumsusan Memorial Palace *[KCNA]* ........ 39
DPRK: Foreigners, Overseas Koreans Pay Respects to Kim Il-song *[KCNA]* ........ 39
DPRK: Japanese Group Lays Basket at Kim Il-song Statue *[KCNA]* ........ 39
DPRK: NODONG SINMUN Praises DPRK-Style Socialism *[Pyongyang Radio]* ........ 40

## South Korea

ROK: KEDO Tentatively Names Duke Engineering as Tech Consultant *[YONHAP]* ........ 46
ROK-DPRK Negotiations on Light-Water Reactors Viewed *[HANGYORE SINMUN 12 Aug]* 47
ROK: Rep. Choe Hyong-u Leaves for U.S. Republican Convention *[THE KOREA TIMES 9 Aug]* ........ 47
ROK-U.S. Criminal Investigation Treaty Takes Effect 1 Sep *[YONHAP]* ........ 47
ROK Employee at U.S. Embassy Arrested for Visa Fraud *[Seoul TV]* ........ 47
ROK: U.S. Lawyer 'Suspected' of Visa Fraud Involvement *[YONHAP]* ........ 48
ROK: U.S. Lawyer Suspected of 'Conspiring' With Brokers *[MUNHWA ILBO 13 Aug]* ........ 48
ROK: Prosecution Decides To Investigate U.S. Lawyer *[Seoul Radio]* ........ 48
ROK: Big Firms Said Trying To Win Chrysler Dealership Rights *[YONHAP]* ........ 49
ROK: Telecom Industry 'Hard Hit' by U.S. Imports *[THE KOREA ECONOMIC WEEKLY 12 Aug]* ........ 49
ROK, U.S. in Telecom Dispute Over 'Prepaid Calling Cards' *[THE KOREA HERALD 13 Aug]* 49
ROK Red Cross President Proposes Holding S-N Meeting 'Soon' *[YONHAP]* ........ 50
ROK: Officials Sent to Panmunjom To Accept Body From DPRK *[YONHAP]* ........ 50
ROK: Red Cross Receives South Korean's Remains From DPRK *[YONHAP]* ........ 51
ROK: DPRK Promises To Return ROK Novelist 'in Due Course' *[YONHAP]* ........ 51
ROK: Kim Yong-sam Stresses 'Vigilance' Against DPRK Movements *[YONHAP]* ........ 51
ROK Defense Ministry Warns Against Provocation by DPRK *[Seoul TV]* ........ 51
ROK 'Willing' To Give DPRK More Aid With Proof of Damage *[The Joong-Ang Ilbo WWW]* 52
ROK: Extent of Flood Damage in North Korea Analyzed *[CHOSON ILBO 12 Aug]* ........ 52
ROK: DPRK 'Unofficially Sounded Out' About Joining IMF *[YONHAP]* ........ 53
ROK Daily Views Development of North Korea's Civil Aviation *[HANGYORE SINMUN 12 Aug]* ........ 53
ROK: Two ROK Student Activists Arrive in Pyongyang *[YONHAP]* ........ 54
ROK: Hanchongnyon Students Plan To Return via Panmunjom *[Seoul Radio]* ........ 54
ROK: Warrants Issued for Hanchongnyon Students Visiting DPRK *[YONHAP]* ........ 54
ROK: Students Clash With Riot Police at Yonsei University *[THE KOREA HERALD 13 Aug]* 54
ROK: 'Intense Clashes' Between Students, Police 'Inevitable' *[YONHAP]* ........ 55
ROK-Japan EEZ Talks Slated for 13 Aug in Tokyo *[YONHAP]* ........ 55
ROK Ministry Looks Into Alleged Remarks by Japan's Kajiyama *[YONHAP]* ........ 56
ROK, Egypt Sign Note on Cultural Exchange Plan *[YONHAP]* ........ 56
ROK: Kim Chong-hwi, Others To Be Paroled on Liberation Day *[YONHAP]* ........ 56
ROK: Opposition Denounces Parole for Former Government Officials *[YONHAP]* ........ 57
ROK: Civil, Religious Bodies Denounce Government Amnesty Plan *[YONHAP]* ........ 57

ROK Faces Power Supply Shortage With Yonggwang's Shutdown *[The Digital Chosun Ilbo WWW]* ..... 57
ROK: Nuclear Fusion Technology Actively Sought as Energy Source *[THE KOREA HERALD 9 Aug]* ..... 58
ROK: Ministry Reports 'Small' Radioactive Gas Leak No Harm *[THE KOREA TIMES 13 Aug]* 58
ROK: Ministry of Agriculture, Forestry, Fisheries Renamed *[THE KOREA TIMES 8 Aug]* ..... 59
ROK: Opposition Claims 'Favoritism' in Cabinet Reshuffle *[THE KOREA TIMES 9 Aug]* ..... 59
ROK: Kim Yong-sam Presents Appointment Letters to New Ministers *[YONHAP]* ..... 59
ROK: New Book Reveals Han Sung-su's Economic Philosophy *[THE KOREA TIMES 13 Aug]* 59
ROK: NKP Studies Allowing Vice Ministers Party Membership *[YONHAP]* ..... 60
ROK Premier Urges 'Tough Stance' on Challenges to Police Work *[YONHAP]* ..... 60
ROK: Steel Business 'Very Weak' During Jan-Jun Period *[THE KOREA ECONOMIC WEEKLY 12 Aug]* ..... 60
ROK, NKP Agree To Grant Ulsan 'Metropolitan City' Status *[YONHAP]* ..... 61
ROK: Survey Results on Quality of Life Reported *[The Joong-Ang Ilbo WWW]* ..... 61

## SOUTHEAST ASIA

### Burma

Burma: SLORC's Than Shwe Departs for Malaysia Goodwill Visit *[Rangoon TV]* ..... 62
Burma: Article Alleges Suu Kyi Planning Destruction of Country *[KYEMON 10 Aug]* ..... 62
Burma: Article Ridicules Demand for Dialogue *[MYANMAR ALIN 12 Aug]* ..... 63

### Brunei, Malaysia & Singapore

### Malaysia

Malaysia: Efforts To Enable Burma To Join ASEAN Intensifying *[Kuala Lumpur TV]* ..... 64
Malaysia: Burma 'Keen' To Become Full ASEAN Member 'Next Year' *[THE STAR 13 Aug]* 64
Malaysia: Abdullah Assails Terrorism, Views Ties With Burma *[BERITA HARIAN 12 Aug]* .. 65
Malaysia: Paramount Ruler Urges Trade Expansion With Burma *[THE STAR 13 Aug]* ..... 65
Malaysia: Burmese Delegation Issues Statement in Kuala Lumpur *[Rangoon TV]* ..... 66
Malaysia: Minister Against Nontrade Issues on WTO Agenda *[Kuala Lumpur International]* . 66
Malaysia: Defense Minister on Procurement of Military Equipment *[NEW STRAITS TIMES 10 Aug]* ..... 66

### Singapore

Singapore: Government Reports Slowdown of Growth for 2d Quarter *[THE STRAITS TIMES 13 Aug]* ..... 67

### Cambodia

Cambodia: Khmer Rouge 'Antagonistic' Attacks Condemned *[Phnom Penh Radio]* ..... 68
Cambodia: Breakaway Divisions Deny Alleged Leadership Changes *[Phnom Penh Radio]* ..... 68
Cambodia: Breakaway Divisions Urge Border Passes Closure *[Phnom Penh Radio]* ..... 69
Cambodia's Hun Sen: Government Forces Join Renegade Division *[Phnom Penh Radio]* ..... 69
Cambodian Official: Defections May Be Less Than Announced *[AFP]* ..... 69
Cambodia: NADK: Situation in Malai, Pailin Returns to Normal *[Radio PGNUNS]* ..... 70

### Indonesia

Indonesia: Daily Disagrees With U.S. Response to Terrorism *[THE JAKARTA POST 7 Aug]* . 71
Indonesia: Megawati's Sister, Others Questioned About Riots *[REPUBLIKA 13 Aug]* ..... 72
Indonesian Military Spokesman: 14 PRD Activists Under Arrest *[KOMPAS 13 Aug]* ..... 73

### Thailand

Thailand: Commerce Ministry Plans To Sue U.S. Government *[BUSINESS DAY 13 Aug]* ..... 74

Thailand: Kroekkrai Discusses Suing U.S. Over Shrimp Restriction *[MATICHON 12 Aug]* .... 74
Thailand: Burmese Not Ready for Border Checkpoint Reopening *[THAILAND TIMES 13 Aug]* 74
Thailand: Cultural Cooperation Agreement Signed With Vietnam *[Bangkok Radio]* ................ 75
Thailand: Army Chief Scraps Four-Billion-Baht Hardware Request *[THAILAND TIMES 13 Aug]* ........ 75
Thailand: Central Bank Plans Stricter Controls on Banks *[BUSINESS DAY 13 Aug]* ................ 76
Thailand: Central Bank: No Unlimited Full Service Foreign Banks *[THAILAND TIMES 13 Aug]* 76
Thailand: Editorial Sees End to Banking's Solid Foundations *[BANGKOK POST 13 Aug]* ...... 77

### Vietnam

SRV: Japan Helps Survey First Vietnam Hi-Technology Zone *[VNA]* ........ 78
SRV: Party Delegation Visits Bolivia, Argentina 4-11 Aug *[VNA]* ........ 78
SRV Minister on Trade Renovation Under Socialist Orientation *[THUONG MAI 1-15 May]* .. 78

## AUSTRALASIA

### Australia

Australia: Fischer on U.S. 'Heavy-Handed' Pursuit of Human Rights *[THE SYDNEY MORNING HERALD 10 Aug]* ........ 86
Australia: NCGUB Prime Minister Delivers Address in Canberra *[BurmaNet News]* ................ 86

## Indonesia's Alatas Addresses ASEAN Anniversary Function 8 Aug

*BK1008092396 Jakarta REPUBLIKA in Indonesian 9 Aug 96*

[Unattributed report — received via Internet]

[FBIS Translated Text] Jakarta — Foreign Minister Ali Alatas says it is time for ASEAN, which is 29 years old, to "promote functional cooperation." "This will hopefully give more substance to the current areas of cooperation," he told reporters last night (9 August).

He said this during a reception marking the anniversary of ASEAN at the ASEAN Secretariat. The flags of the ASEAN members were raised during a morning ceremony. Foreign diplomats and representatives of the ASEAN members were present at the reception last night. Wardiman Joyonegoro, minister of education and culture; Nana Sutresna, executive director of the Nonaligned Movement; and Suryadi Sudirja, governor of the Jakarta Capital Region, were also present.

According to him, much has been done by ASEAN. ASEAN has placed greater emphasis on socioeconomic and political cooperation.

One of the achievements of ASEAN was the creation of the ASEAN Regional Forum, a forum of dialogue between ASEAN and developed countries. The forum is the only forum that attracts all major powers in the world. "Even European countries are unable to meet together every year to discuss political and economic problems," he said.

Nevertheless he warned ASEAN not to be complacent over its achievements. "More demands and challenges are coming," he said.

Functional cooperation, he said, can be manifested in science, technology, health, and other fields.

According to him, ASEAN has grown in terms of politics and defense. The number of its members continues to increase. "Almost all 10 Southeast Asian countries have become its members and it has more dialogue partners," he said.

ASEAN is discussing the creation of a nuclear-free zone. "We want all nations that possess nuclear weapons, such as the United States, Russia, France, Britain, and the PRC to support the Southeast Asian Nuclear Weapon-Free Zone Treaty by acceding to the protocol to the treaty," he said.

He hoped that the treaty would be endorsed this year or at next year's ministerial meeting at the latest. "We will, however, try to settle it this year," Alatas said.

Touching on Indonesia's stance on a U.S. law against Iran and Libya, Alatas said Indonesia's stance was clear. "We cannot accept the application of the national law of a country on another country or the extraterritorial scope of a national law," he said.

Alatas said that all other nonaligned countries were also displeased with the law. Even countries that are close to the United States have protested the law. "Indonesia has categorically rejected the U.S. law," he said.

## Japan

### Japan: Prefectures Protest Transfer of Okinawa Artillery Drills

*OW1208143296 Tokyo KYODO in English 1359 GMT 12 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 12 KYODO — Five prefectures picked as candidates for the relocation of live-fire drills from Okinawa Prefecture voiced opposition to the decision Monday, although protests varied in degree.

Officials of the Defense Facilities Administration Agency visited the prefectures to inform authorities of the planned relocation and seek their cooperation.

The Japan-U.S. Joint Committee decided in a special meeting earlier in the day to shift live-fire drills from Japan's southernmost prefecture of Okinawa to five sites at Ground Self-Defense Force (GSDF) facilities for a period not to exceed 35 days a year.

The five prospective sites are the Yausubetsu range in Hokkaido, the Ojojihara range in Miyagi Prefecture, the Kitafuji range in Yamanashi Prefecture, the Higashifuji range in Shizuoka Prefecture and the Hijudai range in Oita Prefecture.

Fukuoka Vice Gov. Masato Tatewaki rejected the plans, saying local residents are not ready to shoulder more military activity. "We have done our utmost in the past," he was quoted as telling Takehiko Araki, head of the agency's branch.

A high-ranking prefectural official said he is confident the agency will not push through the plans against the will of the local populace.

In northern Miyagi Prefecture Gov. Shiro Asano reiterated his opposition to a transfer of the drills to the Ojojihara Range.

In responding to the agency's request for approval of the decision, Hokkaido Gov. Tatsuya Hori cautioned that the relocation must be handled carefully to win support from those living near the Yausubetsu range.

"The localities near the range are opposed because they fear the drills will affect the daily lives of local residents," he said.

Shizuoka prefectural officials reaffirmed in talks with the agency's Yokohama branch that the drills will only be relocated to the Higashifuji range if the local residents want them and that efforts to abolish the firing range will continue.

Shizuoka Vice Gov. Yukiko Sakamoto demanded that the agency "fully understands that the firing of 155 millimeter artillery shells hurts us as much as the people in Okinawa."

Yamanashi Prefecture said it has taken notice of the plans and will consider the proposal.

Agency officials said earlier Monday that Defense agency chief Hideo Usui will visit the five local governments from the end of this month in a bid to persuade them to accept the planned relocation.

Opposition from the localities to the proposal has already been registered before.

The Japan-U.S. Joint Committee will formally approve the plan at the end of August, the officials said.

### Japan: Okinawa's Ota Seeking Information on U.S. Fighter Crashes

*OW1308040296 Tokyo KYODO in English 0355 GMT 13 Aug 96*

[FBIS Transcribed Text] Naha, Japan, Aug. 13 KYODO — The Okinawa prefectural government is seeking information from the United States about five U.S. warplane crashes in or near the southwestern Japanese island group since 1993, officials said Tuesday.

The requests were made in the name of Okinawa Gov. Masahide Ota on July 1 based on a U.S. freedom of information law, the officials said.

Experts say it is unprecedented for a Japanese municipality to seek U.S. military information under the law.

Among the five accidents are the crash of an F-18 fighter off Okinawa in December 1993, that of an F-15 fighter at Kadena Air Base and that of a helicopter at the Futemna airfield, both in April 1994.

Prefectural government officials said Ota took the initiative because the U.S. military has given almost no answers to the local government's previous inquiries into accidents involving U.S. warplanes.

About 75 percent of all land used by the U.S. military in Japan is concentrated in Okinawa prefecture, which accounts for only 0.6 percent of Japan's total land area.

### Japan: MOFA Spokesman Comments on U.S. Sanctions on Iran, Libya

*OW1308102196 (Internet) Japanese Ministry of Foreign Affairs WWW in English 8 Aug 96*

[Comments by a Japanese Ministry of Foreign Affairs (MOFA) spokesman released on 7 August; from the "What's New!" Link]

[FBIS Transcribed Text]**Comments by the Press Secretary on the Enactment of the Iran and Libya Sanctions Act of 1996 (7 August 1996)**

1. The Government of Japan has learned that the Iran and Libya Sanctions Act of 1996 came into effect on August 5, when President Clinton signed it.

2. The Government of Japan shares concern with the international community including the U.S. about Iran's behavior, and seeks full implementation of the United Nations Security Council resolutions on Libya. It believes, however, that the Sanctions Act might not only give rise to the extraterritorial application of domestic laws, which is not permissible under the international law, but might also be inconsistent with the WTO [World Trade Organization] agreements. This concern has been repeatedly conveyed to the U.S. side.

3. It is regrettable that the Act came into effect with these problems still unresolved, despite Japan's repeated appeals. We would like to strongly urge the U.S. administration to implement the Act carefully while maintaining its consistency with the international law.

### Japan: MITI Criticizes U.S. Call for WTO Panels on Film Dispute

*OW1308052196 Tokyo KYODO in English*
*0516 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — Japan on Tuesday criticized a U.S. decision to ask the World Trade Organization (WTO) to set up dispute settlement panels to review U.S. complaints about the Japanese photographic film and paper market.

"The United States is totally mistaken," said the Ministry of International Trade and Industry (MITI) in a written comment. "Its request for setting up the panels is very regrettable."

The office of the U.S. Trade Representative announced Monday [12 August] it will ask the Geneva-based global trade watchdog to establish a panel to discuss what Washington calls government barriers to market access in Japan for foreign photographic products.

It will also request another panel to look into Japan's large-scale retail store law which restricts the opening of large retail outlets, a major carrier for foreign film suppliers.

On June 13, Washington filed complaints with the WTO about the closed nature of the Japanese market, calling for bilateral consultations with Tokyo.

The two parties held consultation talks July 10-11 in Geneva, but failed to bridge the gap between their positions.

"We provided a concrete explanation at the talks," the MITI statement said. "But the U.S. failed to explicitly explain in what ways the Japanese measures run counter to WTO agreements."

### Japan: Officials Say Sumitomo To Quit Metal Trading in New York

*OW1308041596 Tokyo KYODO in English*
*0340 GMT 13 Aug 96*

[FBIS Transcribed Text] New York, Aug. 12 KYODO — Sumitomo Corp. will withdraw completely from metal trading on the New York market, officials at the Japanese trading house's local subsidiary said Monday [12 August].

Sumitomo Corp. of America, has already sold most of its memberships on the New York mercantile exchange (NYMEX) and its commodity exchange (COMEX), the officials said.

They said the subsidiary will also shortly liquidate Sumitomo Corp. Futures Inc. (SCFI), which has been in charge of the metal trading business.

SCFI President Shunsuke Takeuchi has said his company is leaving the business because it is unprofitable, but industry sources suspect the move is connected with a copper trading scandal at Sumitomo.

Sumitomo says it has lost $1.8 billion over the past 10 years on unauthorized trading conducted by former chief copper trader Yasuo Hamanaka.

As a result, the market has lost confidence in Sumitomo, which finds it hard to do business in New York, the industry sources said.

SCFI was set up in 1991 and gained seats at COMEX and NYMEX in 1992 in order to invest clients' assets in gold, silver, platinum, palladium and other metals, including limited amounts of copper.

Takeuchi has said SCFI decided two years ago to stop trading in those metals because it was losing money on the business.

But NYMEX said SCFI reported its membership sale June 26, 12 days after the copper trading scandal surfaced, while COMEX says it was informed Aug. 5.

Sumitomo plans to continue metal trading operations in Tokyo and London, according to the officials.

### Japan: MOF Rejects Foreign Firms' Protest on Insurance Rates

*OW1308030296 Tokyo KYODO in English*
*0254 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — The Ministry of Finance has dismissed a protest filed by Japanese subsidiaries of foreign nonlife insurance firms over an industry body's revision of premium rates on casualty insurance, a spokesman of one of the subsidiaries said Tuesday.

"We received an informal message from the ministry yesterday to the effect that they consider the revision to be rational, appropriate and indiscriminatory," said a spokesman from American Home Assurance Co.

A spokesman from Zurich Insurance Co. said it "unofficially" received a similar message from the ministry Monday [12 August].

However, a spokesman from AIU Insurance Co., which was first of the three companies to lodge a protest with the ministry, said he could not confirm or comment on the matter.

American Home Assurance and AIU are based in the United States while Zurich Insurance is headquartered in Switzerland.

The three companies lodged a protest in late May over the revision made May 15 by an independent body, the property and casualty insurance rating organization, saying the grounds for the revision are unclear.

The revision calls for a premium rate cut for casualty insurance, a sector where foreign insurers are strong.

American Home Assurance and Zurich Insurance said they are considering whether to file a further protest with the ministry.

They would have to do so within two weeks after Thursday, the day when the revised casualty insurance rates are to be officially announced by the ministry.

### Japan: Enigma of DPRK's Counterfeit U.S. Currency

*OW1308083396 Tokyo AERA in Japanese 29 Jul 96 PP 62-63*

[Article by AERA staff editor Hiroshi Hasegawa: "Counterfeit U.S. Dollar Bills of Suspect Tanaka Seized in Thailand; Part of Them Reportedly Returned To North Korea as Genuine Currency"]

[FBIS Translated Text] Mr. A, who is connected with the work of discerning genuine currency from fake, has been frequently visited these days by Americans presumed to be with investigating agencies, as well as by Japanese police officers.

From these Americans, Mr. A has recently confirmed a surprising fact. Some explanations are necessary before going into the details.

Some American clients frankly apologized for not being able to reveal their identities, and others claimed to be connected with trading business. But judging from the content of their questions, Mr. A believes that they are unmistakably with investigating agencies. Some of them visited him more than once, and some others were accompanied by lawyers.

#### "Super K" Detected

Meanwhile, the B Company in Tokyo has become famous for developing an extremely high-efficiency counterfeit-detecting machine equipped with its own special image-scanning and disposal techniques. This checking machine can pick out the "Super K," a counterfeit $100 bill so elaborately printed as to appear genuine.

"Super K" notes have recently been discovered in quantity, especially in East Asia, and the U.S. has increased its alertness. Yoshimi Tanaka, one of the suspects who hijacked a JAL airliner 26 years ago to the DPRK, was arrested in Cambodia on 25 March this year on suspicion of using counterfeit U.S. currency of the "Super K" type in Thailand, as a result of a coordinated investigation by U.S., Thai and Cambodian authorities.

Suspect Tanaka was attempting to enter Vietnamese territory through a Cambodian border checkpoint, aboard an automobile of the DPRK Embassy in Cambodia, when he was asked by the Cambodian authorities to go to the Cambodian Home Affairs Ministry and was arrested. He was immediately taken to Thailand in custody.

Suspect Tanaka had a DPRK diplomatic passport in his possession and was accompanied by three members of the DPRK Embassy.

Trials of suspect Tanaka were currently going on at Chonburi District Court in Thailand, and the circumstances of his arrest were based on the testimony of Cambodian officials in that court.

Suspect Tanaka was charged on three counts involving counterfeit U.S. currency. The first charge of the indictment is connected with 90 bills of $100 denomination supposedly used in Pattaya, Thailand. The second charge is connected with more than 1,200 counterfeit bills discovered at a jointly owned company in Phnom Penh, Cambodia. And the last is connected with the bogus money confiscated in the automobile in which he attempted to enter Vietnam.

Mr. A confirmed with a visitor presumed to belong to the U.S. investigating agency an unexpected fact related to the counterfeit currency mentioned in the third case.

### Information From Leading Monetary Circle Figure

The story had it that the U.S., which had once determined the money was counterfeit, abruptly changed that position, denied that the bills were counterfeit, and returned the money to the DPRK side.

Mr. A had at first obtained this information from a leading monetary circle figure in Southeast Asia and was able to confirm the information from his firm's client, presumed to belong to a U.S. investigative agency.

At the fifth public trial of suspect Tanaka in the Chonburi Court on 5 July, Cambodian police officers testified that U.S. currency in the amount of $39,000, in addition to rings and necklaces, had been found in a bag in the automobile in which the suspect was riding and that they had been returned to the DPRK side on grounds that they were national property.

As will be revealed later, there is a question whether the $39,000 were all the money found in the automobile. But aside from the amount of money, the information Mr. A had obtained and the testimony at the Chonburi seem to be identical.

Furthermore, according to what Mr. A heard from a certain leading figure in the monetary world, the confiscated U.S. dollar bills were converted into genuine notes and returned to the DPRK side.

It was said that when the money had to be returned, the U.S. had no other choice but to return genuine money, in order to avoid the trouble of repeated circulation of the counterfeit money. The DPRK side made a clear profit by obtaining the same amount of real money in exchange for counterfeit bills.

Meanwhile, Mr. A obtained from a leading figure in the monetary circle a list of the U.S. serial numbers of the bills discovered in the automobile in which suspect Tanaka was riding. It lists 392 serial numbers of the $100 bills that were discovered in quantity. There should be 390 bills if the discovered money amounted to $39,000, as the court testimony shows. According to Mr. A, however, a lot more money seems to have been discovered. At any rate, Company B obtained several bills on the list, analyzed them, and determined that they were counterfeit.

From the same influential monetary figure, Mr. A confirmed the fact that the U.S. Treasury Department had recognized these notes as counterfeit without exception.

Japan's National Police Agency also seems to have obtained the same list.

An NHK news story on 11 June must not be overlooked in connection with this case.

NHK reported that at the beginning of this year North Korean diplomats in Vietnam were found to have a large sum of counterfeit U.S. currency in possession, and all of it was confiscated. The report went on to reveal that the Vietnamese had returned the currency to North Korea at the DPRK's request, despite knowing it was counterfeit.

The report stated that the counterfeit money amounted to $3 million and that two men with DPRK diplomatic passports had the money in their possession. Although the Vietnamese authorities were certain that the $3 million was counterfeit, they were apparently unable to refute the North Korean claim that it was national property.

According to NHK, the Vietnamese authorities traced the counterfeit money and found it was taken out of North Korea to Cambodia soon after Vietnam returned it, despite a denial by the DPRK Embassy in Vietnam.

### Essential Parts of the Case Are Unclear

Through the five public trials held so far at Chonburi, Thailand, the Cambodian police officers involved in suspect Tanaka's arrest and (native Cambodian) officers of the U.S. Treasury Department's investigating agency in Cambodia have given quite detailed testimony before and after Tanaka's arrest.

Even the amount of money with which Tanaka's group attempted to bribe Cambodian immigration and police officers, when Tanaka and three other members of the DPRK Embassy attempted to go through a Cambodian border checkpoint in an automobile of the DPRK Embassy in Cambodia, was made public in court.

Throughout the trial so far, not one bit has been made public about central points such as where the confiscated U.S. bills were taken and who, from which organizations, did the work of discerning counterfeit from genuine currency. Which U.S. authorities were involved, and in what way? Did they direct the investigation in a matter-of-fact way? What did the investigative agency of the U.S. Treasury Department in Washington do?

In connection with the case of counterfeit U.S. currency in which suspect Tanaka was involved, the U.S. Treasury Department's public information official made only this answer: "As to the case you referred to, we cannot make any comment other than that the investigation is now in progress."

Despite the fact that suspect Tanaka is a Japanese national and an accomplice in the hijacking of a JAL airliner, the Japanese people were kept completely uninformed as to the counterfeit U.S. currency charge on which Tanaka was arrested and how the investigation is going on.

Furthermore, a weird development took place: all the money, including the currency that Company B determined to be counterfeit at the risk of its technical ability, were decided to be "genuine money" by the U.S. authorities, and genuine currency notes were finally handed over to North Korea.

Why was it that the bills suspect Tanaka allegedly used in Thailand and confiscated at his Cambodian company office were determined to be counterfeit, and why were the currency notes found in the DPRK Embassy automobile at the border checkpoint treated as "genuine currency?" The case has too many enigmas involved in it.

### Japan: Fuji Expects Objective Talks at WTO Panels

*OW1308112696 Tokyo KYODO in English 1048 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — Fuji Photo Film Co. Said Tuesday it has "high expectations" that objective discussions based on fact will be conducted in dispute settlement panels to be established by a world trade watchdog over U.S. complaints about foreign access to the Japanese photographic film and paper market.

When the panels meet, Fuji will offer its fullest cooperation to the Japanese Government in the interests of a clear and universally accepted conclusion that the Japanese photographic market is "open and competitive," said Japan's leading maker of photosensitive materials.

Fuji issued the statement following the U.S. Government's announcement that it will call on the World Trade Organization (WTO) to establish dispute settlement panels to consider its complaints about the Japanese market.

The office of the U.S. Trade Representative (USTR) is complaining about what it says are Japanese Government barriers to foreign access to the Japanese market. It also objects to Japan's large-scale retail stores law, which restricts the opening of large stores, major carriers of foreign photographic products.

Fuji said discussions based on WTO procedures would be in line with its assertion that the case should be judged under a third party in order for impartial fact examination based on a neutral, nonpolitical perspective.

With regard to Eastman Kodak Co., which has brought complaints about the Japanese photographic market to the USTR's office, Fuji said the WTO panels' expected conclusion will encourage the U.S. company to "abandon its dependence on political pressure in favor of fair competition based on marketing effort that enables it to fulfill its competitive potential in Japan."

### Tokyo, Brasilia Discuss Auto Issue at WTO

*OW1308112596 Tokyo KYODO in English 0950 GMT 13 Aug 96*

[FBIS Transcribed Text] Geneva, Aug. 13 KYODO — Japan and Brazil discussed Tuesday the propriety of Brazil's motor vehicle tariff policy, which has dealt a blow to Japanese automakers exporting to the country, trade sources said Tuesday.

The debate came at the venue of the World Trade Organization (WTO), the Geneva-based global free trade referee.

Japan lodged a complaint against the Brazilian policy with the WTO on July 30.

Brazil raised tariffs on imported motor vehicles to 70 percent on the grounds that such imports are exacerbating its trade deficits.

However, it subjected to much lower 35 percent tariff some imports from foreign automakers whose locally assembled vehicles provide a local content ratio of more than 60 percent and which are exporting assembled vehicles from their Brazilian plants.

Japanese carmakers took a serious hammering from the policy because few of them are producing vehicles in Brazil, they said.

Tuesday's debate at the WTO revolved around whether the policy contravenes the WTO's free trade rules, they said.

The Japanese Government has demanded a change in the policy since June and lodged the complaint with the WTO after ensuing bilateral talks broke down.

### Japan: Auto Industry To Disclose Data on EU Imports

*OW1308075596 Tokyo KYODO in English 0623 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — The Japanese automobile industry has agreed to a European Union (EU) demand that it disclose data on procurement of European-made parts by Japanese automakers, industry sources said Tuesday.

The sources said the EU has been informed of the decision by the Japan Automobile Manufacturers Association.

Along with the decision, they said, Japanese automakers have begun to compile statistics before Japan and the United States convene a follow-up meeting in mid-September to review the implementation of a bilateral automobile trade agreement.

The EU will also participate in the follow-up meeting, they said.

The EU has demanded that Japan reveal data on auto parts procurement from European suppliers as it does on purchases from U.S. manufacturers, charging that it gives priority to trade with the U.S., the sources said.

The association's decision follows the Japanese industry's pledge made to the EU in July that it will consider the EU demand positively, they said.

The association has voluntarily disclosed statistics of both imports and local procurement from U.S. suppliers annually since fiscal 1992.

The sources said the association will announce the value of Japanese auto parts procurement from European suppliers annually from fiscal 1995, which ended March 31.

### Tokyo, Seoul Agree on Early Settlement of 200-Mile Zone

*OW1308132196 Tokyo KYODO in English 1216 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — Japan and South Korea commenced negotiations here Tuesday on demarcation of their respective 200-nautical mile exclusive economic zones and agreed to make efforts for an early settlement, Japanese Government officials said.

Both countries reconfirmed the two sides should not link the talks to the territorial row over the islets in the Sea of Japan, known in Japan as Takeshima and in South Korea as tokto, the officials said.

The two sides explained their basic positions on the drawing of national sea boundaries under the U.N. convention on the Law of the Sea and the current status of the improvement of the relevant legal system in their countries, a Foreign Ministry official said.

It is expected to take time to conclude the negotiations on drawing the border line in overlapping Japanese and South Korean territorial waters.

While acknowledging the difficulty in striking a deal, they agreed on the need to bring the talks to a successful conclusion, the official said.

"We shared the view that the success of the negotiations will be vital to our bilateral relations. We should make every effort to conclude the talks at an early date and in a successful manner," the official said.

Both Japan and South Korea ratified the convention earlier this year.

The convention, sometimes referred to as "the constitution of the sea," allows countries to declare a 200-nautical mile exclusive economic zone for fishing and other rights.

A Japanese zone to be declared in line with the treaty would cover Takeshima, plus a chain of disputed islands claimed by China and Taiwan.

In Tuesday's talks at the Foreign Ministry, Japan and South Korea agreed to hold the second round of negotiations in Seoul at an early date, the official said.

"We do have a wide gap. We are only at the starting point of the talks," the official said, adding, "these negotiations will be very tough."

In March, Prime Minister Ryutaro Hashimoto and South Korean President Kim Yong-sam agreed to hold such negotiations without linking the territorial claim.

### Japan: Returning Visitors Say Crop Damage Serious But DPRK 'Calm'

*OW0908140096 Tokyo KYODO in English 1343 GMT 9 Aug 96*

[FBIS Transcribed Text] Fukuoka, Aug. 9 KYODO — North Korea appears calm and people are not starving to death despite serious damage to crops from heavy rains in late July, members of a prefectural assembly in southwestern Japan just back from the country said Friday.

The members of a friendship delegation from the Fukuoka Prefectural Assembly told a press conference held to report on their five-day trip to North Korea from July 30 that a freeway they traveled between Pyongyang and the border truce village of Panmunjom had subsided in two places and they saw evidence of numerous landslides.

They said they also saw mud-covered fields beside the road and houses with flood marks up to their eaves, but that Pyongyang and people engaging in cleanup work after the flooding appeared calm.

The delegation flew to North Korea via Beijing and was shown around by members of the (North) Korea-Japan Friendship Association.

Association members told them that between July 24 and 25, the country's grain belt was inundated by between 400 and 600 millimeters of rain which fell mainly in the southern regions.

The members quoted association officials as saying it will take between three and five years for the country to recover from the devastation.

Assembly member Matsuhiko Shingu, who led the delegation, said they saw no sign of disturbances or many deaths occurring from food shortages reported in Japan due to the two years of successive summer floods.

"But from a humanitarian viewpoint, aid is certainly needed," Shingu said.

## Japan: Journalist on Arms Race in South China Sea

*OW0908064496 Tokyo SEKAI NO KANSEN in Japanese Aug 96 pp 96-99*

[Article by journalist Keiichi Hino. Originally titled "Shadow of Arms Exporting Nations." English subtitle "Weapons Export to South China Sea Nations."]

[FBIS Translated Text] 1) Dynamic economic growth, 2) tensions and confrontations over territories and resources, and 3) rapid military modernization.

The current situation of the South China Sea nations and area after the Cold War's end can be roughly summarized as the above three points. The regional stability supported by the Cold War order collapsed with its end, and military equipment is being modernized in preparation for confrontation among the countries. This modernization is financed by the rapid economic growth. This scenario is taking root in the "South China Sea sphere" and inviting a fierce weapons sales race among industrialized countries.

"It is not accurate to say that an arms race is taking place in the region, but it is true that most of the countries in East Asia and the southern Asia have been beefing up and improving the quality of their military power over the past several years. The most serious point is that many of the improvements so far achieved or planned to be achieved are regarding the navy and air force, which are the most suitable for dispatching troops to remote areas."

The above is taken from the section "Military Trends for Nations in the East Asia and Pacific Region" in the book "Military Balance 1993-94." This article will try a few case studies on the ability "most suitable for dispatching troops to remote areas" and discuss the situation of sea power improvement in the South China Sea area and industrialized countries' involvement in it.

### A Thailand That Has Everything

Thailand should come first if we take up first the latest topics. Thailand is a kingdom that "has everything," from aircraft carriers to military satellites and submarines.

Thailand concluded a contract with Spain to purchase the Chakri Naruebet, a 11,500-ton offshore patrol helicopter carrier (OPHC), on March 27, 1992. It was launched on 20 January 1996 and will be completed 27 March 1997. The carrier will be transferred to the Spanish Navy's Rota base for operation training, including that involving carrier-borne aircraft, before being officially commissioned in the Thai Navy in August 1997.

Details of the carrier's price follow:

Carrier = $360 million (the contract was concluded on 27 March 1992)

Carrier-borne aircraft = Nine AV-8S vertical/short takeoff and landing aircraft (including two two-seat models for training) for $90 million (the contract was concluded in November 1995). These planes will be delivered by April 1997.

C2 system (software, eight consoles, and others) = $79 million (the contract was concluded in November 1995).

The total is thus $529 million. However, the shopping list is not yet complete. The following things must also be purchased for the vessel:

Eight Mk 41 VLS
Four CIWS
Fire control system
Electronic warfare equipment
Sonars
Long-range radar

These must have compatibility with the existing equipment of the Thai Navy and, therefore, Thailand will buy them from the United States as before. Or, rather, it should be said that the United States is looking forward to receiving the order. America can earn solidly under a governmental Foreign Military Sales contract between Thailand and the United States.

Spain will also earn handsomely. Dongara [name as received], carrier-borne aircraft and C2 systems have already been operated repeatedly aboard the 17,100-ton Spanish Navy's aircraft carrier Principe de Asturias. Spain can earn with that know-how. Unlike other South China Sea countries, Thailand has no experience of colonization. Therefore, Thailand's weapons purchase contracts with Spain do not reflect a suzerain state-colony relationship. Spain simply happened to be a suitable seller. This is a typical example of weapons business without ideology following the Cold War's end.

If business is without ideology, it can be done smoothly. Military communications satellites come after the helicopter carrier. Already in 1989, Chawalit Yongchaiyut, then commander of the Thai National Armed Forces (currently deputy prime minister and defense minister), proposed the "Star of SIAM" project. Under the project named after Siam, the ancient name of Thailand, two satellites will be purchased, with the first to be launched in the year 2000. Total cost will be $1,120 million, including ground facilities. The satellites will cover one-third of the globe, including China and the Association of Southeast Asian Nations (ASEAN) region. It is reportedly a very grand project which would likely have astonished Nagamasa Yamada, a Japanese warrior who exerted his power in Siam a long time ago.

Britain's Ministry of Defence and its military industry first tried to clinch an order for the project. They have thoroughly helped preliminary surveys by Thailand. Then came America, France, China, Israel, and others, resulting in a tight race. Thailand is said to be considering international bidding possibly in this autumn.

As a helicopter carrier and military satellites are very expensive, only Thailand, the largest military spender among the ASEAN countries, has such a shopping plan. However, submarine purchases are booming among the South China Sea countries.

**Overheating Race To Introduce Submarines**

Among the seven ASEAN members, Indonesia has long been the sole country possessing submarines. It has two 209-1300 submarines purchased from then West Germany in 1981.

Singapore was the first to challenge this monopoly, with Sweden as its partner. Last April, the Singapore Navy sent 40 personnel intended as submarine crew to Sweden. A Japanese newspaper reported that they will undergo operation and tactical training for two to four years, using an old Sjoormen-class submarine (1,130 tons) built in the 1960s. The 21 February issue of JANE'S DEFENSE WEEKLY said training will last for a year. It is not clear which is correct, but the just-created Japanese Maritime Self-Defense Force dispatched 84 people to the United States at the end of 1954 for education and training for about half a year. However, three quarters of them were submarine crewmen of the defunct Imperial Navy. Singapore could be planning two to four one-year crew training, as JANE'S reported. In the meantime, Sweden will service and remodel (probably only improvement of air conditioning for use in the South China Sea where water temperatures are higher than in the Baltic) another old submarine for delivery to Singapore possibly by September next year.

This project itself is only a plan to introduced a small used submarine. But what should be noted is its pump-priming effect. Sweden is apparently demonstrating such advantages of submarine purchases from Sweden as pricing, supplies, and training while waiting for replacement toward the end of this century to the beginning of the 21st century after Singapore's crewmen are fully experienced with the operation of the used submarine. It is like business of a veteran car salesman.

Singapore's action is certain to kindle the other ASEAN nations' desire to join the "submarine club," and fierce competition among European countries to sell submarines to them. Indonesia, in the lead, is said to be planning to buy another 209 submarine from Germany. Malaysia initially incorporated a submarine purchase program in its sixth military buildup plan (1991-95), but it was put off as the country gave priority to surface ships. The country intends to secure a budget for a submarine under the seventh buildup plan and high-ranking officers of the navy claim that at least 10 submarines are necessary for defense of the territorial waters. It is reported that Thailand is also considering purchasing two submarines in the near future.

Possible sellers include GSC of Germany, Kockums of Sweden, Bazan of Spain, RDM/VSEL of Britain, DCN Internationale of France, Fincantieri of Italy, and Rubin [name as received] of Russia.

Experts forecast that by 2005-10, Malaysia and Thailand will have four to six submarines each, Indonesia and Singapore four each, and the Philippines two, for a total of around 20 for ASEAN.

The stage is the South China Sea. It is considerably deeper than the East China Sea and suitable for long-term clandestine and effective patrol operations. The region also involves territorial and resources problems. There is every possible reason for the expansion of the submarine club, both for sellers and purchasers. In the north, there is a huge Chinese submarine fleet that far excels the ASEAN countries combined in terms of both quantity and quality. The demonstration of the existence of submarines in the ASEAN region will have a certain effect of deterrence, if not basically difficult to compete in terms of power.

**U.S. Boasts Overwhelming Share**

As for aircraft, another means of introducing forces into a remote area, the United States has an overwhelming share of the market, followed far behind by Russia and Britain. Major aircraft-related data on ASEAN are extracted below from the Register of Major Trade in and Licensed Production of Major Conventional Weapons, 1994 of SIPRI Yearbook 1995:

The United States: To Singapore: six CH-47D helicopters, 18 F-16C fighters ($890 million); To Malaysia: eight F/A-18 fighter-interceptors ($250 million); To Thailand: 21 A-7E interceptors ($81 million), three E-2C airborne early warning systems ($380 million), 18 F-16A ($550 million), five P-3B antisubmarine patrol planes ($140 million) and 6 SH-60B antisubmarine helicopters ($186 million).

Britain: To Malaysia: 28 Hawk 100/200 fighter-interceptors ($740 million)

Russia: To Malaysia: 18 MiG 29 fighters ($600 million)

American deals are thus outstanding. The huge presence of the United States, which accounts for three quarters of the world's aircraft sales, remains unchanged even after the end of the Cold War. In addition, military equipment of the ASEAN countries has already entered an age of quality from quantity. Cheap but inferior products do not sell. Then the position of the United States, which has always been a giant of the world's aerospace industry throughout World War II, Cold War and post-Cold War years, will not be shaken in the near future.

As for surface ships, what attracts attention most after the OPHC of Thailand is a large number of vessels of the defunct East German Navy bought from the unified Germany. The number is 39, which is broken down as follows:

12 Frosch I landing ships
2 Frosch II supply ships
9 Kondor mine sweepers
16 Parchim corvettes

Purchase contracts were made in 1992 and the ships are being delivered to Indonesia one by one. Indonesia bought all the Frosch I and II ships and Parchim corvettes East Germany had and nine of the 27 Kondor mine sweepers. It is really a going-out-of-business sale.

In ordinary liquidation sales, goods are sold ignoring profits. But weapons business is apparently different. The 39 units of Dongara [name as received] are assessed at $12.7 million, but they were left unattended after the unification of East and West Germany. Old ships would not sail without undergoing so-called refurbishing—scraping off rust, giving a new coat of paint and servicing parts. Simultaneously with the contract to buy the 39 vessels, Indonesia signed a contract with Germany to purchase 46 fire control and search radars for installation on 16 Parchim corvettes and 14 Frosch I and II vessels of the 39 ships. Refurbishing is expected to cost as much as $640 million (according to the SIPRI YEARBOOK 1995). This is the initial estimate and future negotiations must be watched to determine final figures. The Indonesian Navy will pay the sum in installments from fiscal 1995/96.

The United States is even better at business than Germany. The April issue of this magazine features massive sales of surplus vessels after the end of the Cold War, and this author also contributed a report. Details of how the Americans sold the surplus ships impressed the author.

Thailand's helicopter carrier purchase was already introduced above. In leasing a Knox-class frigate to Thailand, the United States concluded contracts with Thailand for the purchase of the following equipment:

127-millimeter guns
Fire control/search radars
Harpoon surface-to-surface missiles (SSM)
Sea Sparrow short-range surface-to-air missiles

Of the missiles, Harpoons are also bundled with the above-mentioned P-3B antisubmarine patrol planes in addition to the Knox-class frigate. Moreover, the United States sold Harpoons and Sea Sparrows for Neresuan-class frigate Thailand purchased from China.

To Malaysia, the United States sold a Newport-class landing ship tank for $18.3 million, together with a 20-millimeter CIWS and search radar.

However, these contracts were not the result of touting by the United States. The Americans simply offered the most appropriate weapons systems to purchasers who are seeking ways to launch military power in remote areas. For example, Thailand's Neresuan-class frigate is a Chinese-built SSM vessel. However, it is natural for Thailand to choose the American-made SSM as the Harpoon has a range more than twice as long as the Chinese SSM.

Anyway, it is only natural to introduce weapons systems with superior performance as far as military equipment modernization is sought. It was natural that the United States, which demonstrated the overwhelming superiority of its high-tech weapons systems during the Gulf War, the first large-scale regional conflict since the Cold War's end, was able to enjoy an outstanding advantage in the weapons sales race. The table above conventional weapons sales to South China Sea countries seeking modernization of military equipment. The data are bit outdated, but the general trends clearly show the overwhelming supremacy of the United States.

The trends will continue. When seen from a different viewpoint, the United States seems to be in two mutually contradicting positions. In one position, the country, as the only superpower in the chaotic post-Cold War strategic environment, has to play the leading role in achieving regional stability and curb the spread of weapons. But in the other position, it is displaying an overwhelming advantage in weapons sales, as seen in this article. The United States is using, so to speak, a double standard. A contradiction of the double standard is clearly shown in the case in which the United States scrapped its plan to sell F-16's to Pakistan on the grounds of its suspected nuclear weapon development, then sought another customer for the planes. We must take note that the "household situation" of the United States, whereby it cannot abandon its military industry, has given rise to this situation.

### Japan: Taiwanese Woman Accepts 'Sex Slave' Compensation

*OW1008110096 Tokyo KYODO in English*
*1041 GMT 10 Aug 96*

[FBIS Transcribed Text] Chiba, Japan, Aug. 10 KYODO — A 75- year-old Taiwanese woman who says she was forced to serve as a sex slave to Japanese servicemen before and during World War II said she will accept indemnity from the private Asian Women's Fund.

Wen Hong-shin is the first Taiwanese to accept the compensation offer.

Her decision followed Maria Rosa Henson, a 68-year-old Filipina, who announced she would also accept the offer.

Both Wen and Henson attended a two-day international forum on compensation for victims of the war. The forum ended Saturday in the city of Chiba, south of Tokyo.

The government-initiated fund will provide 2 million yen in cash and additional welfare aid worth 3 million yen to each of an estimated 300 surviving victims, known as comfort women, in South Korea, the Philippines and Taiwan.

Wen, who identified herself by name for the first time Saturday, told a news conference that she hopes to use the lump sum for treatment of leg and heart problems.

The Taiwanese woman said she was forced to provide sex to Japanese soldiers at the age of 14, suffering mentally and physically. But she says she no longer has a grudge against the Japanese Government, saying it is all in the past.

Henson said she was criticized as abandoning her dignity by giving up a demand for government compensation, as opposed to private compensation. But Henson said her dignity was lost 50 years ago and she will use the money offered by the fund to help relieve poverty.

### Japan: Pakistan Granted Loans for Infrastructure, Social Action

*OW1108135496 Tokyo KYODO in English*
*1315 GMT 11 Aug 96*

[FBIS Transcribed Text] Islamabad, Aug. 11 KYODO — Japan and Pakistan on Sunday signed a 59.65 billion yen soft loan package that will be used to fund infrastructure projects and a social action plan.

Of the total package, the 31st Japan has granted to Pakistan, some 30 billion yen will be used for the 13-kilometer elevated Lahore rail transit system.

The remaining amount will go toward the Ghazi Barotha hydropower project near Tarbela, about 65 km north of the capital, a national drainage program and a social action plan.

Japanese Ambassador Takao Kawakami and Economic Affairs Secretary Javed Talat signed the official notes on the package, which had been pledged by Japanese Prime Minister Ryutaro Hashimoto during Prime Minister Benazir Bhutto's visit to Tokyo in January.

In June, Tokyo announced 20 billion yen in aid for civil works, procurement and installation of turbines at the Ghazi Barotha dam.

### Japan: FY97 Budget Estimated To Total 80 Trillion Yen

*OW1208113596 Tokyo KYODO in English*
*1049 GMT 12 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 12 KYODO — Japan's fiscal 1997 general account budget is estimated to total 80.7 trillion yen under spending guidelines set by the government, Finance Ministry sources said Monday.

The figure marks an increase of around 7.5 percent from the initial fiscal 1996 budget.

Despite the ministry's efforts to cap spending requests from government ministries and agencies amid strained national finances, sharp increases in national debt-servicing costs and tax grants to local governments are combining to push up the amount of general account spending for the fiscal year starting next April 1, the sources said.

Since a wide gap remains between budgetary revenues and expenditures, however, the government will almost certainly be forced to issue deficit-financing bonds for the second consecutive year in fiscal 1997, they said.

To help bridge the gap, the initial fiscal 1996 budget called for a record 21 trillion yen worth of government bonds, including some 12 trillion yen in deficit-financing bonds.

For fiscal 1997, the government is expected to issue almost the same amount of bonds, the sources said.

The Finance Ministry will accept fiscal 1997 budgetary appropriations requests through the end of August. Government ministries and agencies are expected to make spending requests up to their ceilings set at the end of July.

The ministry plans to compile a draft fiscal 1997 budget by the end of December, while trying to further reduce budgetary spending from requested levels.

By some measures, Japan's fiscal situation is the worst among the group of seven industrialized countries.

Its outstanding balance of government bonds is estimated to total 240 trillion yen by the end of next March, equivalent to nearly 50 percent of the nation's gross domestic product.

Under the spending request ceilings, fiscal 1997 general operating expenditures are estimated to total 44.62 trillion yen, rising 3.4 percent from the initial 1996 budget for the slowest growth in seven years.

The core spending category covers general account spending minus such obligatory expenses as national debt-servicing costs and tax grants to local governments.

According to the ministry sources, national debt-servicing costs are expected to climb 10 percent to about 18.1 trillion yen to cope with the redemption of and interest payments for a huge amount of bonds issued in the past.

Tax grants to local governments will also surge 22 percent to some 16.7 trillion yen because municipalities will get bigger funds with a planned increase in the consumption tax rate from the present 3 percent to 5 percent next April, the sources said.

The ministry will also maintain 1.3 trillion yen worth of spending quotas introduced to funnel proceeds from sales of government-held Nippon Telegraph and Telephone Corp. (NTT) shares to public works projects for social infrastructure improvement, they said.

The quota will actually be financed by issuance of government bonds since it is difficult for the government to sell NTT shares amid the prolonged slump in the stock market, the sources said.

Fiscal 1997 tax revenues, meanwhile, are estimated to rise 26 percent to 58.5 trillion yen thanks mainly to the hike in the consumption tax rate, the ministry sources said.

The estimate is also based on the assumption that the government will abolish 2 trillion yen worth of special income and other tax cuts implemented in fiscal 1995 and 1996 to help rev up the sluggish economy, they said.

Even including 1.9 trillion yen in nontax revenues, however, overall fiscal 1997 revenues are expected to fall 20.3 trillion yen short of overall expenditures, the sources said.

## Japan: NTT President Interviewed on Future Plans

*OW1208102596 Tokyo KYODO in English*
*0938 GMT 12 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 12 KYODO — Nippon Telegraph and Telephone Corp. (NTT) should not be broken up into smaller firms, and instead the company as a whole should strive to become one of the world's top high-tech companies, NTT's new president says.

NTT chief Junichiro Miyazu gave an outline of his blueprint for the company during a recent interview with KYODO news. Miyazu took over the helm of Japan's largest telecommunications company in June.

He made it clear that he opposes the proposed plan by the Ministry of Posts and Telecommunications to break up NTT into several companies in a bid to introduce more competition into the nation's telecommunications industry.

"The plan should be considered from a broader viewpoint of how the country's telecommunications industry should be in the future," Miyazu said.

"At present, discussions tend to focus only on domestic competition. But if you think of NTT in a broader context (of world telecommunications), few would conclude that breaking it up is a good idea," he said.

Miyazu said that instead of breaking up the company, the infrastructure that NTT has already established should be utilized as a resource for the nation.

As for management policy in the future, Miyazu said NTT will carry out drastic restructuring of the organization, particularly after it completes its program of changing switchboards from analog to digital by the end of 1997.

He said he believes the industry's future can be described by the two key words of "multimedia" and "internationalization," and the nature of the business is shifting from telephone services to computer network services.

NTT should therefore move in the directions of the key words, he said, adding, "NTT will shift its emphasis from 'hardware' services to 'software' services."

Its personnel plan will also be changed in line with the change in the nature of the services, Miyazu said.

Asked about the planned reduction of telephone charges, he said the company will aim to bring down the daytime phone charge to 100 yen per three minutes by around 2000 from the current 340 yen.

### Japan: Linking of Public, Leased Phone Lines Liberalized

*OW0908091096 Tokyo KYODO in English*
*0815 GMT 9 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 9 KYODO — The Posts Ministry is planning to liberalize the market for connecting public telephone lines held by Nippon Telegraph and Telephone Corp. (NTT) with leased lines as early as this fall, a ministry official said Friday.

The Posts and Telecommunications Ministry already decided earlier this year to allow NTT lines to be connected with both ends of leased lines by the end of the year as part of measures to promote competition in the industry.

Currently, NTT lines can be freely connected to leased lines provided it is limited to one end of a leased line. Such connections are not widespread, however, since the ordinary user can only make telephone calls to companies holding private lines.

By having both ends of a leased line connected to an NTT line, however, users will be able to make calls anywhere as on an ordinary telephone line.

For example, if a company owned a leased line connecting Tokyo and Osaka, and were to have both ends of the line connected with NTT lines, a user would be able to make an ordinary long-distance call from Tokyo to Osaka or vice versa at a lower fee.

Matsushita Electric Industrial Co. is already showing interest in entering the new business to make use of its leased lines.

Industry sources say that while the deregulation is likely to benefit consumers, established telecom companies could see lower profits amid the stiffer competition.

### Japan: Business Leaders Criticize Bureaucrats at Nikkeiren Seminar

*OW1008071896 Tokyo KYODO in English*
*0645 GMT 10 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 10 KYODO — Japanese bureaucrats drew a chorus of strong criticism from business leaders in a series of summer seminars that ended Saturday.

"I don't see any need for the Transport Ministry," said Masao Ogura, a former president of Yamato Transport Co., Japan's largest door-to-door parcel delivery service company.

Ogura maintains that the Transport Ministry's restrictions have caused a 10-year delay in Yamato transport's expansion nationwide of its parcel delivery service.

Ogura made the remark at a three-day seminar of the Japan Federation of Employers Associations (Nikkeiren), which ended Saturday.

The Nikkeiren summer seminar follows similar events held by the Federation of Economic Organizations (Keidanren), the Japan Association of Corporate Executives (KEIZAI Doyukai) and the Japan Chamber of Commerce and Industry (JCCI).

"Irritated by the snail's pace of administrative and fiscal reform by the government, the business community is intensifying its criticism of mandarins," said an industry analyst.

At the Keizai Doyukai seminar held late last month, Yoshihiko Miyauchi, president of big leasing firm Orix Corp., said the government should disband not only the Finance Ministry but the Construction Ministry as well.

"I no longer see any need to implement public works projects aimed at improving social infrastructure," he said.

Meanwhile, the JCCI at its seminar early this month unanimously adopted an "emergency proposal" calling on the government to set a numerical target for trimming the number of public employees.

Kosaku Inaba, chairman of the Tokyo Chamber of Commerce and Industry, said it was his personal view that "the government should cut the number (of public employees) by scores of percent in three to five years."

At the Nikkeiren seminar, the Labor Ministry came under harsh attack from business leaders, particularly because of what they view as a tough stance toward deregulation on private job-placement and temporary staff agencies.

Business leaders also urged the government to slash the number of government advisory panels, currently totaling 217.

### Japan: KYODO Interviews New MITI Vice Minister Makino

*OW1108032496 Tokyo KYODO in English 0239 GMT 11 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 11 KYODO — Tsutomu Makino assumed the post of vice international trade and industry minister last Wednesday [7 August] at a time when industry is questioning the trade ministry's raison d'etre.

Asked to name major challenges facing the ministry in a recent interview with KYODO news, Makino immediately cited "structural reform of the Japanese economy" which is suffering from high costs.

Makino also has to restore harmony inside the ministry, which has had internal strife since late 1993 over personnel arrangements.

"I will consider (how to go about harmonization)," Makino said, keeping his strategy secret.

Makino, 58, a law graduate from the university of Tokyo, joined the Ministry of International Trade and Industry (MITI) in 1963 just when the Japanese economy was entering a period of spectacular growth.

He chose MITI because "I thought I could be involved in drawing up policies for nurturing Japanese industry to make it comparable with U.S. and European rivals," Makino said.

"I felt MITI's free and frank atmosphere suited my personality because I was full of challenging spirits," he said.

When Japan suffered an energy shortage after the second oil crisis in 1979, Makino was promoted to be in charge of mapping out an energy policy to reduce the nation's dependence on oil.

He played a key role in founding the new energy and industrial development organization to develop alternative energy sources despite criticism that the body will expand MITI's vested interests.

As head of the ministry's consumer protection and electronics policy divisions, Makino clashed with officials of the Finance and Posts and Telecommunications Ministries to speak for MITI's interests.

His aggressive style of doing business was highly appreciated, earning him such mainstream posts as the director general of the basic industries bureau and the director of the secretariat.

In December 1994, Makino was appointed director general of the industrial policy bureau, a gateway to the post of vice minister, the pinnacle of the bureaucratic hierarchy.

Not surprisingly, Makino is well respected within the ministry, where he is considered magnanimous, courageous and adept at managing his subordinates.

Former Vice MITI Minister Tomio Tsutsumi also gives high marks to his successor, saying, "he is decisive and a man of action."

Makino characterizes himself as "open-minded, active and short on tenacity." But his openmindedness sometimes goes overboard.

Last year, parliament took up a suspicion that Makino had been overly entertained by businesses. He was severely reprimanded by then MITI Minister Ryutaro Hashimoto, who is now prime minister.

"I will take (the reprimand) seriously and behave more rigorously," Makino said upon taking office as vice minister.

In his spare time, Makino would rather read books in a mountain retreat than play golf, a favorite pastime of Japanese corporate executives, bureaucrats and politicians.

He is married with one daughter.

### Japan: Credit Firms Accused of Selling Data Leave Industry Body

*OW1308015796 Tokyo KYODO in English 0111 GMT 13 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 13 KYODO — Eleven of the 13 credit companies that allegedly sold to outsiders customer data unlawfully withdrawn from an industry association's database have now left the organization, association officials said Tuesday.

They said the firms began to quit the federation of credit bureaus of Japan after the alleged database misuse was discovered in December during an investigation spurred by customers' inquiries.

Two of the firms resigned from the federation soon after it asked their representatives to appear for questioning, the officials said.

Daisaburo Kato, the federation's secretary general, said Monday [12 Aug] it will file with police this week a complaint against the 13 companies for fraud and violation of a consumer credit business law by allegedly withdrawing massive consumer credit data through unlawful means over the past six years.

During that period, the companies had begun to offer consumer credit services and had registered at the federation's information centers nationwide, he said.

The federation suspects that the 13 companies took consumer credit information and sold it to outsiders, including financial institutions and detective agents, Kato said.

The federation says it had 4,358 nonbank member companies across Japan as of March 31.

Its members are required by law to report the credit details of each customer to the federation's 33 information centers so that members can share data and avoid problems of overlending.

The federation's database holds information on an estimated 11 million customers, including details such as outstanding loans, jobs and employers.

### Japan: Kajiyama Stresses Need for Emergency SDF Legislation

*OW0908111996 Tokyo MAINICHI SHIMBUN in Japanese 8 Aug 96 Evening Edition p 1*

[FBIS Translated Text] Speaking at a business management seminar held by the Japan Federation of Employers' Associations [Nikkeiren] in Fujiyoshida City, Yamanashi Prefecture in the afternoon of 8 August, Chief Cabinet Secretary Seiroku Kajiyama touched on the roles of the Self-Defense Forces [SDF] and said: "Even if the Police Act is applied, it is impossible for police to maintain public peace and order and turn out for defense. We have to get ready to enact emergency legislation now, in time of peace." Thus, he stressed the necessity for emergency legislation. On Japan's position on maintenance of Japan-U.S. security arrangements, Kajiyama indicated his view that it is necessary to get fully prepared to cooperate with the United States as much as possible, saying: "A definite answer is that we will strive to give every facility except armaments to the deployment of U.S. forces in the Far East."

Kajiyama went on to say: "We have to consider (enacting emergency legislation) now because Japan would be affected if fire is exchanged on the Korean peninsula. When the great number of refugees flows out to Japan, I wonder what we should do if arms are provided by disguised refugees." He added: "Both the ROK and the DPRK have their own organization in Japan. I am concerned how Japan's SDF would fight if the situation should fall into a state of strife in Japan because the SDF completely lacks capability. The SDF has never held street battling training before. It is possible that strife begins with street battling or guerrilla fighting."

### Japan: New JADI Chairman Addresses Defense Industry Members

*OW1208061196 Tokyo GEKKAN JADI in Japanese Jul 96 p 1*

[Article by Fumio Sato, chairman, Japan Association of Defense Industry, concurrently Representative Director and President, Toshiba Corp]

[FBIS Translated Text] I consider it a great honor to be appointed the fifth chairman of the Japan Association of Defense Industry [JADI] following an unexpected recommendation.

The two years under ex-Chairman Kitaoka was a period of confusion and opacity for both Japan and other countries, and it was also an important period for the defense industry because the government issued the new National Defense Program Outline and the new Mid-Term Defense Program for 5 years starting from FY1996.

Meeting these important policies which are extremely critical for JADI members, ex-Chairman Kitaoka developed positive proposal and request activities together with other JADI directors including the vice chairman as well as in cooperation with the Japan Federation of Economic Organizations [Keidanren] and other associated organizations, contributing greatly to the maintenance of the defense production foundations.

I would like to express my deep respect and gratitude to these persons for their efforts and achievements. Now, Japan is forced into a very difficult financial condition due to the blockage of the money market and economic stagnation, although consumption is showing a gradual trend to increase.

On the other hand, in other parts of the world, the Cold War between the West and East has all but disappeared. However, to our regret, confrontations due to differences in races and religions, conflicts, and regional antagonism between nations do not seem to have come to an end.

Tensions on the Korean Peninsula are also continuing in the Far East, and unsolved territorial issues, potential regional conflicts, and the proliferation of weapons of mass-destruction and associated vehicles exist as factors which can cause instability in any part of the region.

Under these circumstances, JADI is determined to continue its steady efforts to maintain defense production and the technology base as well as develop equipment meeting the needs of the times in order to maintain and prepare the fundamental defense capabilities according to the spirit of the new National Defense Program Outline and based on further closeness of the Japan-U.S.

relationship. I am encouraged to assume the post of chairman in such a severe period.

Since the members of JADI are powerful companies from a very wide range of fields, I believe that the unified actions of all of the members will make it possible to maintain defense production and the technology base as well as to optimize and strengthen them.

With the above in mind, I am determined to strive to accomplish JADI's mission. In closing, I would ask all members for your support and guidance.

## Japan: Developments in Defense Industry Viewed

*OW1208055696 Tokyo JIEITAI SOBI NENKAN in Japanese 1 Jul 96 pp 523-535*

[Unattributed article from 1996 edition of the Self-Defense Forces military equipment almanac, published by Asagumo Shimbunsha]

[FBIS Translated Text] **Keidanren Defense Production Committee**

The Japan Federation of Economic Organizations [Keidanren] Defense Production Committee (chaired by Mitsubishi Heavy Industries' Yotaro Iida, senior advisor, and by Mr. Kentaro Aikawa, chairman since 14 July 1995) conducted the following activities in FY1995 from the standpoint of maintaining defense production and its technical foundations.

### 1. Measures for Preparation of Future Defense Forces

(1) Considering the study conducted by the government into future defense forces, the committee compiled the opinions of Keidanren as the "Need to Establish a Defense Force Preparation Program Meeting the Requirements of the New Age (see below)" in May 1995. Based on this, opinions were exchanged with a wide range of persons including the Defense Agency Director General (May, October) so that the opinions of industry could be reflected in the government study. As a result, the National Defense Program Outline [NDPO] for FY1996 and later stated explicitly that the government will take maintaining defense production and its technology base into consideration and that a wide range of equipment and technology exchanges will continue between Japan and the United States.

(2) Based on the new NDPO, the new Mid-Term Defense Program [MTDP] (FY1996 to FY2000) was established. In this process, the committee exchanged opinions with a wide range of persons concerned in order to obtain sufficient understanding of the importance of maintaining domestic defense production and its technology base.

### 2. FY1996 Government Defense Budget

To obtain understanding on the required defense production and its technology base from the persons concerned, the committee cooperated with the Japan Association of Defense Industry [JADI], the Society of Japanese Aerospace Companies [SJAC] and the Shipbuilders' Association of Japan [SAJ] and exchanged opinions with persons concerned in the governing parties, etc. As a result, the minimum requirements for maintaining Japan's defense foundations were assured as seen from the 1.2 percent increase in new front-line military equipment contracts from FY1995. Also, explanatory meetings were held after the provisional requests for the defense budget and the government budget were compiled, by inviting the directors general of the Defense Agency (September 1995, February 1996).

### 3. Japan-U.S. Defense Industry Cooperation

As Japan-U.S. defense industry cooperation has become more important than ever from the viewpoint of the enhancement of Japan-U.S. security arrangements, the committee held a continuous exchange of opinions on how smooth, effective Japan-U.S. defense industry cooperation should be arranged with those concerned from the two governments, including U.S. Defense Under Secretary Kaminski. As a part of this, a mission (led by Chief Nozawa of the Key Issues Examination Working Group) was dispatched to the United States in September.

### 4. Survey of Defense Production-Related Topics

With the cooperation of the Space Development Promotion Conference, the committee compiled a survey report on the satellite technologies of foreign countries and held a meeting reporting them (February 1996). 5. Public Information Activities

The committee published two "Defense Production Committee Special Bulletins" which featured 1) the new NDPO and 2) a translation of the report on Japan-U.S. technology cooperation complied by the National Research Council (NRC) of the United States (2 meetings).

### Japan Association of Defense Industry (JADI)

In FY1995, JADI (chaired by Takashi Kitaoka, Chairman, Mitsubishi Electric Corporation with regular members including 131 major defense industry companies) actively promoted various operations including a survey/research related to defense equipment, the collection/provision of research materials and data, the dispatching of trainee groups to other countries, the holding of seminars and training meetings, the supervision of commissioned research, the distribution of standards and cooperation for export control. At the same time, the JADI also made positive proposals and requests related to the new NDPO, new MTDP and FY96 defense budget, requests related to the reform of the tax system, requests related to achieving an optimum conclusion and enforcement of contracts with the JDA, and so on.

In the following, we will study the details of the new NDPO, new MTDP, and FY96 defense budget bill and give a perspective of their future influence on the defense industry.

**1. New NDPO**

The NDPO has been amended for the first time after 19 years since the establishment of the previous NDPO in November 1976.

For the review of the defense forces, the new NDPO determined an orientation towards compact scale and improved quality. The specific scales of main organization and equipment specified generally show a noticeable reduction, and the industry feels that it is critical. However, it is still unclear how the quantitative reduction of tanks, destroyers, aircraft, and such will be reflected in the later annual procurement programs and in which direction research into updating and modernizing obsolete equipment is to advance. As these will take concrete shape in the action programs of the next and subsequent MTDPs, JADI hopes that a gradual, soft-landing policy will be adopted from the standpoint of maintaining the foundations of the defense industry.

In relation to the Japan-U.S. security arrangements, the new NDPO contains descriptions not found in the previous NDPO, for example the promotion of Japan-U.S. joint research and enhanced mutual exchange from the aspects of equipment and technology. This can be evaluated positively as meeting the needs of the new age. Although there are some problems, such as the bidirectional work- sharing assurance in the mass-production and equipment implementation stages, this orientation matches our national interests and the industry should deal with it with a positive attitude.

**2. New MTDP**

General: The Defense Agency calculated and requested a total sum (expenditure-base defense budget) of 25,720 billion yen and new frontline military equipment contract amount of 4,440 billion yen as expenses required for the new MTDP.

Although the Defense Agency requests were not met completely, the total framework above 25 trillion yen and frontline military equipment contracts above four trillion yen were assured and the preparation of many of new projects including the FS-X (now named F-2) approved. This matches the policy of the new NDPO stressing high-technology and can be appreciated highly.

Frontline military equipment contracts: The frontline military equipment contracts of 4,280 billion yen in the new MTDP should be seen as taking the following factors into consideration. Negative factors: 1) The nominal value is lower than the previous MTDP. This difference is greater than it seems considering the difference in prices between now and five years ago. 2) The expenses corresponding to a two percent increase in the consumption tax scheduled for FY1997 should be reduced (about 80 billion yen).

Positive factors: 1) The new MTDP is more advantageous in terms of the purchase of dollar-based imports (because of higher value of the yen than in 1991). 2) Although about 40 percent of the U.S. allotment for the newly introduced F-2 should be reduced, there are no very expensive or very large imports, such as the AWACS and Aegis systems, as in the previous MTDP. This provides the possibility that domestic demand will be relatively substantial.

Categories: Any defense industry business is eager to know the acquisition programs in the MTDP period for all the individual equipment items, but the new MTDP text simply describes the scales of equipment purchases by the Ground, Maritime, and Air Self-Defense Forces [GSDF, MSDF, and ASDF], as in the previous MTDPs. It neither shows the programmed amount of each item such as Ko [name as received] class equipment, aircraft and military ship.

The equipment acquisition programs in the new MTDP do not show any noticeable general reduction but also presents the possibility that increase and decrease will very largely in different categories and items.

As mentioned above, the new MTDP does not specify the value of each item (or category) of frontline military equipment in the program. However, JADI estimated the contracted value for each category in the new MTDP based on the past results, the new MTDP, and other related data.

Among the six main categories, prospects are bleakest for the Ko class equipment and guided missiles, and the decrease in artillery is particularly sharp. Also, the replacement of old items with new items is continuing even in categories estimated to have flat growth. For example, in the category of aircraft, the new F-2 fighter support will be introduced but there is a general trend for other items to decrease. 3. FY96 "Frontline Military Equipment Contract Amount"

In spite that the FY1996 approximate requests for frontal contracts were the lowest in recent years, the assessment approved was 835.2 billion yen which is 10.2 billion yen more than in FY1995 (825 billion yen). Nevertheless, when the reduction due to the rise of the consumption tax as mentioned before is subtracted, the budget on a 3-percent consumption tax basis is about 820 billion yen, which is about five billion yen lower than in FY1995.

The situation of each of the main categories is as follows. The aircraft category, for which the initial procurement of 11 new fighter supports (F-2) was approved, recovered greatly by 45.9 percent and the Otsu [name as received] class equipment which are related to the policy stressing PKO and disaster countermeasures also increased by 3.7 percent, but the other four categories decreased by more than 10 percent, which was the result of lower approximate requests than the values in the FY1995 initial budget. Particularly, the reduction of Ko class equipment and guided missiles were as much as nearly 20 percent. 4. R&D Budget

The Technical Research and Development Institute's [TRDI] FY1996 budget is 164.1 billion yen, an increase of 10.8 billion yen, or 7 percent, from FY1995. Its share in the defense budget has grown to 3.4 percent.

Meanwhile, the expenses approved for projects, including pilot production, were 129.4 billion yen, an increase by 0.9 percent from FY1995 after two successive years of big drops in FY1994 and FY1995. The number of pilot production projects of equipment and such is 55 cases (increase by 1 case). In addition to new developments such as the US-1A (remodeled) rescue flying boat, new midrange SAM, and new outdoor radio equipment, continued projects such as the new light observation helicopter (OH-X), new self-propelled 155 mm howitzer, new TSI system, and aerodynamic propulsion research facilities will also be promoted.

### 5. Defense Agency Deliveries by JADI Members

Deliveries to the Defense Agency in FY1994 amounted to 1,711.9 billion yen, an increase of 60.8 billion yen or 3.68 percent from FY1993. The factor causing this increase was the growth in the military ship category, such as the delivery of Aegis ships. The deliveries of other categories decreased by 4.3 percent, or 67.1 billion yen, from FY1993. Meanwhile, total sales for civilian demand by JADI members have been decreasing from the peak in FY1990. This has caused the share of defense production to increase from 2.26 percent in FY1993 to 2.59 percent in FY1994. Since the delivery amount (sales) follows the contracted amount with a delay of two to three years, the change in the contracted amounts leads to an expectation that deliveries will decrease in value in the future.

### 6. Conclusion

As described above, the new situation confronting the defense industry has bright and dark areas in clear contrast. But both the bright and dark areas are indispensable for the preparation of Japan's defense forces. No items can be eliminated, even when they are in the shade. Under these circumstances, the related businesses should find targets to assist themselves according to the guidelines indicated in the new NDPO and new MTDP and devote themselves to efforts aiming at maintaining production and the defense technology base.

In completing this report, JADI would like to make a strong request for the government to take maximum considerations for full implementation of the new MTDP and to promote continuing R&D as the high-tech SDF deserves.

## Society of Japanese Aerospace Companies (SJAC)

### 1. General Situation

The Japanese aerospace industry has developed relatively smoothly thanks to the national policy and corporate efforts since the postwar restart of the aircraft industry in 1952 and the addition of space development business in 1974.

However, following such global trends in the first half of the 1990s as the reduction of defense budgets following the Cold War's end, the stagnation of demand from the airline market due to the general economic slowdown, and the increasingly fierce price competition based on the imbalance of supply and demand, Japan's aerospace industry has also started to face a severe management environment. The situation is basically still the same at present, and the environment in which the aerospace industry finds itself is still severe.

Nevertheless, while military demand throughout the world still continues to drop, the gradual recovery of the economy has been increasing orders for civilian aircraft, and prospects are slightly brighter with steady growth in passenger demand predicted as we approach the 21st century.

The new NDPO announced as government policy at the end of 1995, the MTDP based on it, the Fundamental Policy of Japan's Space Development and the 7th Airport Construction Program (Interim Report) are severe but regarded as reliable guidelines for the future development of Japan's aerospace industry.

There are three characteristics of the Japanese aerospace industry as described below.

1) The scale is very small at about 1,100 billion yen (aircraft 800 billion yen, space equipment 300 billion yen) but there is technology fallout to related industries.

2) Dependence on the national budget, particularly defense demand, is very high compared to other major countries (about 70 percent).

3) It is a super-import-oriented industry with an export-to-import ratio of below 1.0 percent.

### 2. Aircraft Sector

#### (1) Defense Aircraft

Defense demand, which makes up about 75 percent of the aircraft industry, grew steadily until FY1990 thanks to several defense force preparation programs.

However, the previous MTDP (FY1991-1995) adopted at a cabinet meeting in December 1990 established major disarmament as a target, claiming that the main equipment had reached the level of the then current NDPO and that the Cold War had ended. In addition, the new MTDP (FY1996-2000), which has been decided, still shows a trend to disarmament with a budget of about 340 billion yen a year (compared to 404.7 billion yen a year in the previous MTDP). In this context, although the number of major aircraft to be procured is 169, six more than under the previous MTDP (actual result), the amount of work is expected to drop by about 400,000 man-hours/year because the production of fixed-wing antisubmarine aircraft P-3C has been completed and the fighter support F-2 (47 planes) that has entered the mass-production stage as a replacement for interceptor fighter F-15 is a Japan-U.S. joint production.

As a result, aircraft-related companies are forced into a severe condition, particularly small businesses and manufacturers highly dependent on defense. They are expected to make rationalization and efficiency-improving efforts in every aspect of their management as well as to engage in cooperative efforts with the government as an industry assuming an essential role in Japan's security and based on the understanding of the general public.

Examples are:

1) early implementation (startup) of technical R&D projects;

2) maintenance of technology and production foundations of associated businesses;

3) securing domestic production in joint developments with the United States, licensed production, etc.

#### (2) Civilian Aircraft

The world economy, which had been stagnating for several years, has entered a gradual recovery stage and the civilian transport aircraft market is recovering.

Orders and production have become active centered around the B-777, an aircraft jointly developed and produced (with a Japanese share of about 21 percent) with Boeing. Aircraft production in FY1996 is expected to end the three years of continuous reduction since 1992. The main factor of this is the increase in the exports of parts for the B-777; parts exports are expected to grow in the future.

In addition, together with such civilian projects as the V-2500 engine and BK-117 helicopter, the development of a stretched B-777 large civilian transport and an engine for compact civilian transport aircraft (CF34-8C) have been started as new Japan-U.S. joint development projects. The national projects for future aircraft include the following.

1) Small civilian transport YSX: Its profitability is being studied aiming at development under Japanese leadership while also watching the international situation.

2) Supersonic transport SST: Technical fields to be the responsibility of Japan in the international joint development project to start at the beginning of the 21st century are being studied.

In addition to the above, international joint projects between private companies are being developed and continuing efforts are being made to convert the business structure for expanded civilian demand.

Future issues in this field include the improvement of technical abilities and cost competitiveness in the international market and establishing a position which can make Japan a reliable partner in the world as well as to advance into the Pan-Pacific area centered around Asia where a great increase in demand is expected.

### 3. Space Equipment Sector

All three models of the purely Japanese launch vehicle H-II have been launched successfully, exhibiting Japanese technical abilities in this field already comparable with the world level.

The Japanese aerospace industry still has a limitless number of future topics to be researched by utilizing the above achievements, for example the unmanned space shuttle HOPE, a space plane and the space station as well as satellites, space environment utilization, and space infrastructure. The results obtained from the above research are expected to be developed into technology spreading to other industries and the creation of new industries.

In this context, the recently reviewed Fundamental Policy of Japan's Space Development is highly appreciated in that it advanced beyond "catching up to developed countries," which was in the previous fundamental policy, incorporates specific government development projects for the coming decade, and in particular, specified the policy to support their commercialization.

According to the fundamental policy, the industry is presently devoted to the further innovation of technologies aimed at making them independent businesses through commercialization and enhanced international competitiveness as well as the diversification of the menu of low-priced products.

### 4. Conclusion

The Japanese aerospace industry has been continuing a wide range of activities and, in the process of development, contributed to Japanese security as one of the key security industries and spread technology to other industries as an industry relying on advanced technology.

The Japanese aerospace industry firmly believes that its development will assume an important role in assisting Japan play an international role as a country based on science and technology toward the 21st century.

From this context, too, the Japanese aerospace industry will maintain its technology and production foundations according to the government policy outlined in the MTDP and Fundamental Policy of Japan's Space Development as mentioned at the beginning of this report, and will also make continuing efforts to cooperate with and contribute to the international community.

As part of its activities for maintaining and developing the industry, the two large projects below are enthusiastically being studied, and support and cooperation from all parties concerned are solicited:

1) Start of preparations for the first "International Aerospace Exhibition" in Japan in 1999.

2) Promotion of study for establishing an "Aerospace Museum" to prepare a social environment enabling the development of human resources and to construct the industry's foundations.

## Shipbuilders' Association of Japan (SAJ)

The Japanese shipbuilding industry, which entered a serious recession due to the world-wide decline in the demand for new ships since the two oil crises, has taken recession countermeasures including the reduction of excess facilities and employees. The shipbuilding market turned up temporarily thanks to these structural measures and improvement in the marine transport market, but the recent rise in the yen's value and the growth of Korean shipbuilders have made the environment surrounding the Japanese shipbuilding industry more severe than ever.

### 1. Circumstances of Shipbuilding in FY1995 (General Merchant Ships)

New shipbuilding orders received (data based on "Ministry of Transport building permit basis (applicable to general merchant ships of 2,500 gross tons or more)") was 393 ships, 10,244 gross tons, or 1,111.1 billion yen. This was an 8.5 percent decrease in terms of gross tonnage and a two percent decrease in contracted amount from FY1994.

On a per ship type basis, the orders received for bulk carriers were 6,251,000 gross tons (16 percent increase from FY1994), a share of 61 percent of total orders received. The orders received for container ships were 1,150,000 gross tons (40 percent decrease from FY1994). On the other hand, order were received for 1,019,000 gross tons (65 percent decrease from FY1994) of general tankers, a 10 percent share of total orders received. Among other ship types, 23 chemical carriers of 209,000 gross tons were ordered (24 ships and 209,000 gross tons in FY1994) and the orders received for LPG carriers increased to 44 ships, 397,000 gross tons (from 18 ships, 244,000 gross tons in FY1994). The orders received for VLCC (very large crude carriers of 200,000 DW or more) in FY1995 were for 4 ships, 615,000 gross tons (15 ships, 2,392,000 gross tons in FY1994). Three hundred and one new ships of 9,057,000 gross tons were completed in FY1995. These figures have increased from FY1994 by 11 percent in number and 9 percent in gross tonnage.

The work in process as of the end of March 1996 has increased to 407 ships, or 13,946,000 gross tons (increasing by 29 percent and 9 percent respectively from the end of March 1995).

### 2. Trends in Shipbuilding Policy, Industry Problems

According to the report entitled "How Future Shipbuilding Measures Should Be in the Perspective of the 21st Century" of the Council for the Rationalization of Marine Transportation and Shipbuilding in December 1991, the issues and measures to be taken by the Japanese shipbuilding industry are as outlined in the following.

### (1) Stabilization of Long-Term Supply and Demand

The shipbuilding demand in the future is expected to increase smoothly but is also estimated to turn down after reaching a peak in around 2000. Therefore, it is necessary to deal with these changes based on the current equipment capabilities and improve productivity through mechanization and labor saving as required.

**(2) Arrangement of Industrial Foundations**

While improving the production facilities and working environment which have been exhausted in the long period of recession, the foundations of the industry should be prepared so that it can deal with future changes in demand and work structures and maintain a creative technical potential.

**(3) Promotion of International Cooperation**

To overcome common problems facing the world's shipbuilding industry, the Japanese shipbuilding industry should take a more positive initiative in establishing fair competition in the international shipbuilding market, dealing with global environment conservation problems, and promoting international technical cooperation.

On 29 March 1996, the Shipbuilding Subcommittee of the council met to discuss the present status of the shipbuilding industry and future measures to be taken. The details of these deliberations are outlined below.

While new shipbuilding demand is expected to be sound for the present, the new shipbuilding supply capability is expanding because of the equipment enhancement of the Korean shipbuilding industry; there is a danger that the long-term supply and demand balance will worsen in the future. Since long-term stability in international shipbuilding supply and demand is an important topic for the world's shipbuilding industry, it is necessary to cultivate a common recognition of it. In addition, since the improvement in international competitiveness is also indispensable, it is necessary to increase the freedom of private companies in relation to the equipment issue, etc. But, in doing this, it is also necessary to take maintaining order in the shipbuilding market into consideration. The shipbuilding agreement to come into effect in FY1996 is expected to remove the barriers obstructing normal competition in the shipbuilding market, by abolishing government subsidies and preventing the dumping of shipbuilding contracts. Although the measures to be taken at the government level are considered as described above, the environment surrounding the shipbuilding industry is still severe. The council is therefore continuing deliberations for future measures aiming at making the shipbuilding industry more competitive and more attractive.

**3. Military Shipbuilding**

The shipbuilding industry has been promoting rationalization to the limits in both the aspects of labor and facilities for the last 20 years but even under such a situation, the military shipbuilding sector has continued its attempts to maintain military shipbuilding and the technology base that are continuously being modernized for improved performance.

Military shipbuilding needs many more working hours, longer construction periods, and more advanced and specific technologies and equipment than general merchant ships. Military shipbuilding and technology base have been established through many years of united efforts of the government and private sector, and the military shipbuilding industry has been emphasizing to the agencies and ministries concerned that assuring a stable, continuous quantity of military shipbuilding is critical and indispensable to maintain and cultivate the required foundations so as not to weaken them.

Specially, as FY1995 was the year in which the new NDPO replaced the previous NDPO that had been in existence since 1977 and based on which the new MTDP was established, the industry developed particularly positive promotion activities in cooperation with defense-related organizations to maintain military shipbuilding and technology base. As a result, the new NDPO mentioned the defense industry for the first time by saying, "considerations will be taken for maintaining defense production and its technology base." Also, the government budget for FY1996, which is the first year under the new MTDP, approved a building budget for 11 ships, 17,681 displacement tons, or 203 billion yen for the Defense Agency. The details of the 11 ships are; one DD (Ko class destroyer of 4,400 displacement tons); one SS (submarine of 2,700 displacement tons); one MSC (medium class minesweeper of 510 displacement tons); one ASR (rescue submarine of 5,400 displacement tons); one AGS (surveying ship of 3,300 displacement tons); plus six support ships (1,151 displacement tons).

All of the military shipbuilding contracts for FY1995 were concluded before the end of March 1996.

The orders received for military ships were as follows; Two DD's (Ko class destroyers each of 4,400 displacement tons) (ordered from Marine United and MHI); one SS (submarine of 2,700 displacement tons) (ordered from KHI); two MSC (medium class minesweepers of 510 displacement tons) (ordered from Nippon Kokan and Hitachi Shipbuilding & Engineering) and; one MST (minesweeper tender of 5,600 displacement tons) (ordered from Mitsui Shipbuilding & Engineering).

The shipbuilding companies engaged in military shipbuilding and repairs are; Ishikawajima-Harima Heavy Industries Co., Ltd. (Tokyo, Kure); Kawasaki Heavy Industries, Ltd. (Kobe); Sasebo Heavy Industries Co., Ltd. (Sasebo); Sumitomo Heavy Industries, Ltd. (Uraga);

Nippon Kokan K.K. (Tsurumi); Hakodate Dock (Hakodate); Hitachi Shipbuilding & Engineering Co., Ltd. (Maizuru, Kanagawa, Innoshima); Marine United Inc. (Tokyo, Uraga); Mitsui Shipbuilding & Engineering Co., Ltd. (Tamano), and; Mitsubishi Heavy Industries, Ltd. (Nagasaki, Kobe, Shimonoseki, Yokohama).

### Need to Establish Defense Force Preparation Program Meeting Requirements of New Age (11 May 1995)

#### 1. Explicit Specification of Desirable Defense Arrangements

The Cold War's end started efforts in many countries searching for how the new world should be arranged, and Japan is also examining what defense arrangements will be necessary in future.

The Advisory Group on Defense Issues (private advisory body to the Prime Minister, August 1994) observed that Japan was "facing even more difficult security problems" as a result of the Cold War's end. The Japanese Government must establish and display a security policy covering a variety of means including diplomacy, economics and technical assistance based on the above and taking the role of Japan for securing the peace and stability of the world into consideration. In this action, we hope that the government prepares the defense forces under the understanding and support of wide range of the citizens by specifying explicitly the "desirable defense arrangements", which cover what Japan should do to assure stability and safety for people's lives and contribute to the international community, the capabilities required for this and how we should cooperate with the United States. Also, to arrange the defense force on a scheduled basis, the Government should establish a new MTDP to succeed the current MTDP (FY1991 to FY1995) and enforce it consistently.

#### 2. Maintenance, Enhancement of Defense Production, Technology Base

Since the existence of defense production and technology base is indispensable for the preparation of defense forces, the new MTDP should position the maintenance and enhancement of the foundations as a critical element of Japan's security.

Maintaining domestic defense production and its technology base are indispensable to procure suitable equipment for Japan's defense policy, land, and conditions, maintaining/supplying the right quantity of equipment with the best timing, and in acquiring it urgently in case of emergencies. The existence of the base will also deter international conflicts and lead to emphasizing the bonds between Japan and the United States through defense technology cooperation and such.

Unlike countries in Europe and the United States, Japan does not possess national military production facilities. Defense production, R&D, equipment maintenance, supply, and upgrades are supported by private industry. The production of equipment is also made possible by the participation of a large number of private businesses including small companies. Nevertheless, while the market is restricted to within Japan, the recent reduction in the equipment budget has made it difficult for participating businesses to maintain production lines and retain engineers.

Defense production and R&D require special technologies that can be used only for defense. The trends to apply high technology to military equipment have resulted in the necessity of maintaining very high capabilities as the base for this. This means that, should the defense production and technology base fail, it would take a very long time and cost much money to reconstruct them. The industry is making efforts to maintain the base while also devoted to the transfer of its personnel and rationalization. We hope that the Government also engage itself in the maintenance and enhancement of the base by sufficiently considering the domestic production of equipment and enforcing the following policies under the new MTDP.

#### (1) Policies Enabling Businesses To Take Independent Measures on Human Resource Development, Plant Investments

1) Explicit specification of main R&D projects as well as equipment procurement programs.

2) Stable procurement of main equipment: Support should be provided to assist the continuance of defense-related businesses of companies specializing in defense which produce products which cannot expect civilian demand, such as artillery and ammunition.

#### (2) Policies for Maintaining, Enhancing Advanced Defense Technology Development Capabilities

1) Special emphasis on R&D integrating the most advanced technologies which are critical for security: Information communications and collection capabilities for integrated operations of the ground, maritime and air defense forces, ballistic missile countermeasure capabilities, etc.

2) Enforcement of technology demonstration projects: These projects should not be limited to simple technical testing and evaluation, but R&D should be advanced up to the stage enabling efficient operations of the forces and acquisition of mass-production data.

3) Continual improvement of equipment capabilities: New equipment should be developed with future improvements in mind and positive efforts should be made to modernize existing equipment.

4) Arrangement of large, advanced R&D facilities: For R&D facilities which cannot be prepared by individual businesses, policies should be taken to enable them undertake more advanced R&D in addition to their current efforts.

In addition, further considerations are required in the future to assure the profitability of R&D contracts.

### 3. Preparation of Environment for International Cooperation

Japan has to examine international cooperation with the United States and other countries to deal with the trends of increases in the technology levels and prices of equipment and decreases in the defense budget. For the present, it is necessary to arrange the environment for smooth implementation of joint R&D and production with the United States, which has deep relations with Japan in the security, by solving such problems as the implementation of an export control policy, handling of R&D results, and protection of the rights of private businesses related to consumer technology.

## Japan: Mitsubishi Executive on Auto Parts Globalization

*OW1108051796 Tokyo NIHON NO JIDOSHA BUHIN KOGYO in Japanese 30 May 96 pp 53-59*

[Interview held on 5 Feb 1996 by unnamed editor with Fumio Kawachi, Executive Director, General Manager of Purchasing Headquarters, Mitsubishi Motor Co., Ltd; interview originally titled "Mitsubishi Motor Corp.'s Purchasing Policy and Actions"; part of article originally titled "Interview Special Feature: Responses of Auto Parts Industry to Automobile Industry's Globalization, Purchasing Strategies of Automobile Manufacturers, in 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] **Increase in Local Competitiveness of U.S. Parts**

[Editor] Now that the dollar has risen above 100 yen, are people in the purchasing department breathing a sign of relief?

[Kawachi] Not at all (laughter)! Because domestic production is decreasing. Domestic sales have recently been increasing compared to the previous years, but exports are decreasing, in terms of both the finished cars and original units per vehicle in KD [knock-down] exports. Since increasing the local content of locally produced cars is the national policy of each country where local production takes place, the trends of the increase in the local content and decrease of Japanese exports are not expected to change even if the yen decreases in value.

Also, the fall of the yen has now become a delicate matter because this makes it difficult to increase purchases from overseas.

[Editor] However, we feel that Mitsubishi Motor Corp. [MMC] has recently secured its position as the number three car maker in Japan, though the passenger car department is still rather insecure (laughter). Imports of American cars have also increased greatly and Americans are now feeling very high-spirited. From the viewpoint of purchasing, what do you think of the quality and costs of recent American parts?

[Kawachi] That is a delicate question. Our view is different between the case in which parts are procured locally and used locally and the case in which they are imported to Japan. As for their competitiveness when imported to Japan and installed in cars for the domestic market, they cannot be regarded as being so competitive. Their quality is no longer at the level in the past, when we often experienced them failing immediately after installation but, given the transportation cost and other costs required before delivery, American parts are not so competitive at the current exchange rate. Nevertheless, when they are purchased by our local production sites, their competitiveness has improved greatly and the quality is by no means inferior to other parts, although the percentage defective at local production sites is still higher than the level of Japanese parts makers. Also, apart from parts, whose appearance is not so important, I have heard that those that should appeal to the users' senses, including the sense of beauty, have caused not a few problems due to troubles in the final stage.

These troubles are partially due to the difference in the quality criteria. While Japanese people care about the role of bumpers and molds also as accessories improving the class and quality of a car, Europeans and Americans concentrate on their functions exclusively. They expect the bumper to protect the body in a collision and absorb shock, and do not care about some flaws or bends, although I feel this example may be too exaggerated.

In the past, makers of import cars tended to think that it was a matter of course that cars that sold well in their countries would sell well in Japan. However, recently they have studied the Japanese market much more than before. One reason for the increase in imported cars is surely the rise in the yen, but I think it is also a result of their taking more care.

### Overseas Transfer of Higher Value-Added Products Will Be Delayed

[Editor] People often talk about global purchasing or optimum purchasing. What will the effects of these be on the Japanese auto parts industry?

[Kawachi] Japanese parts makers are best for parts for cars for the local market, because there is the sense of esthetics unique to the Japanese people as well as the issue of the delivery period. If the exchange rate of the dollar versus the yen is around 100 yen, imported parts will not be profitable because of additional costs so we may use the products of Japanese parts makers in this case.

Then, when the currently exported cars start to be produced locally, what will happen may be variable depending on parts. For example, with pressed, cast or forged parts with which the technologies for local production can be transferred relatively easily, the rate of localization will be faster. On the other hand, with parts with high added value, such as electronic and high-function parts, the transfer of expertise will be slower so the domestic production of these parts will last longer. In particular, special blended materials and production processes of these higher value-added parts are hard to be transferred overseas. Some companies in the materials industry are trying to advance to ASEAN countries, but their pace is slow, so they have to use materials imported from Japan although they call that system "local production." Even in Korea, which has a fairly long history of car production, there are not a few parts that cannot be produced locally. Thus the effects on Japanese parts makers will be variable depending on the kinds of parts each company is producing. The operations done at factories cooperating with us, such as pressing, machining, casting, forging and resin molding, are rather works to supplement the internal production process of car makers, and the production of these parts will inevitably decrease because they have to scramble for a share of domestic production. On the other hand, as high-function, higher value-added products of major parts makers with high development abilities are hard to be transferred, they will continue to be exported to North America, not to mention ASEAN countries, and their domestic production is expected to hardly decrease. However, the policy of each parts maker will also be involved in this issue. There may be cases in which even such kinds of parts should better be produced locally by advancing to local production sites and sharing expertise with local companies, depending on the circumstances and production efficiency in each country. Considering this possibility, the hollowing out problem could also occur with higher value-added products, but I think this problem must not be confused with hollowing out in the proper meaning of the term.

### Becoming "Proposal-Capable" Parts Makers With High Development Capabilities

**In any case, parts makers making parts that can be produced at an ordinary technical level will inevitably be affected. Frankly speaking, factories cooperating with MMC are actually getting more conscious of this danger. Since most of them are companies that complement internal production, decrease in the work done by cooperating companies means a decrease in the work of makers of finished cars, and it would not be so strange if they attempt the internal performance of processes which have been contracted to cooperating factories.**

Another problem for parts makers is related to cost reduction. Namely, for cars in 1998 and later, MMC is planning to reduce parts costs by one-third by developing parts previously separated into about three items as integrated units, based on the concept of "new-generation structures and parts" in place of single parts with a single function. When this is done, parts which used to be ordered in parallel will be ordered serially centered around companies with development capabilities, with the intention of reducing intermediate losses. If this form takes root, it is inevitable that the work of parts makers whose work is based on ordinary technologies will decrease.

[Editor] Then your policy with respect to cooperating parts makers will also change.

[Kawachi] I tell them to become "proposal-capable" parts makers with their own development capabilities and the ability to make proposals. Even if we can tell them about the domestic share, world share and the policy for increasing these share, we're just talking about targets and the actual results depend on the economy and total demand. So we ask them to look at the parts they are making, decide whether or not they can survive with them and create new sources of revenue on their own. However,, for a company with only about 100 employees, it is not easy to create a satisfactory development system. In such a case, they should value profit over name and consider merging or organizing joint development with other companies. Such an idea existed before the "bubble" boom but it was shelved while they were inundated with production in the boom. When we look back at the past, we now feel that the 2 to 3 boom years were rather regrettable.

### Systematization of Parts, Reorganization of Parts Makers

[Editor] The systemization of parts, or the orientation of the "new-generation structures and parts" concept may lead to the promotion of the reorganization of parts makers. And this is a serious situation for cooperating parts makers.

[Kawachi] We always ask members of our association of cooperating companies to try to achieve a cost level which would make them competitive internationally, or the minimum cost in other words. For this purpose, I hope they will participate from the initial stage of car development and make proposals. Since we are not like precious students who are always right, I would like to hear conflicting opinions from them. We will of course hear even more conflicting opinions from others, and we hope that all of us will become bitter-worded partners to each other. Recently, parts makers trade with a number of car makers and they may have a scale for comparison, for example such parts are suitable for maker A, such are suitable for maker B and these for MMC, and so on. So we would like a situation in which they would not hesitate in pointing out our weak points. This applies to our arrangements and systems as well as to products. We would like them to improve mutual communications and perform activities to improve the levels of both parties.

Another thing we want from them is to be creative and develop products ahead of the times. In the past, we undertook a wide range of cost-reduction and quality improvement activities including productivity improvement, VE and yield improvement. It is thanks to these activities that we both exist today, but we cannot be contented at this level in future competition at the international level because there would also be difficulties with the exchange rate. In other words, I want them to watch end users in place of car makers and develop parts with a feeling that they are conducting direct marketing for the actual evaluation of the parts by users. If this is not done, the parts they develop would not sell and they would fail. I stress this point to them.

### "Global Best Sourcing" Concept

Now that users' tastes are so diversified, it is important for parts makers to listen not only to car makers but to examine the use and practical value of each part. This also applies to car makers as well as parts makers, and is specially important for specialized parts makers. They should develop products that can create demand.

Nevertheless, as I said before, creating such a development system is difficult for cooperating parts makers with only 100 to 150 employees. These companies should make positive efforts to reduce costs through total activities, by participating in developments from the initial stage, modifying process techniques, changing materials, and so on. Since there is the target cost with any car development, the target cost of each part can be calculated by dividing it. And this should be achieved as a matter of course. In addition, they should try to achieve even lower costs and keep the resulting profits as internal reserve to enhance their strengths. I hope they will be able to achieve these cost reduction activities.

In relation to costs, we have been procuring lower-priced parts and materials from other countries based on the concept of "global best sourcing," and we also hope our parts makers will adopt low-priced materials they find overseas. If there are overseas-produced parts which can be brought to Japan at low prices, I always tell them to bring them to Japan without hesitating in an effort to contribute to cost reduction.

The quality evaluation of cars are often reported in newspapers, and if we do not take measures for them properly, the rating of our cars will drop. I hope that parts makers see things from the same viewpoint as us and build customer-oriented quality control systems. For many years, we have been telling them that we want them to implement quality from the fabrication stage and to perform in-line testing to prevent defective items from getting through to later processes.

As for quality criteria, as I said at the beginning of this interview, if we try to meet user requirements at an excessively high level by spending too much cost, the results will also be negative for users. Therefore it is important that we have parts makers propose quality criteria in the form of specifications, etc., so that we start quality-related activities from the development stage. Even with current parts, the requirements are variable depending on the areas or the countries in the case of exports, so we ask them to make proposals to help us avoid high-cost products with excessively high quality.

[Editor] There are many mid- and long-term issues for parts makers which are engaged in competition requiring a worldwide viewpoint. What are the main issues for FY1996?

### Operation G, Aiming To Become Company With "Presence"

[Kawachi] MMC completed Operation F in FY1995 and starts Operation G in FY1996. Its point is to "aim to become a comprehensive automobile business with individuality and 'presence' that can survive in the 21st century," which means that MMC will exhibit comprehensive power as a full-line automobile company rare in the world and that each of the passenger car, truck, bus, and overseas business departments will build an independent constitution without relying on others.

We will present this idea to parts makers to solicit their cooperation, and our association of cooperating companies "Kashiwa Kai" is also developing activities by drawing up its own guidelines.

As a result of reorganization in June 1995, the Overseas Procurement Department, which had been under the Purchasing Headquarters became independent as the Overseas Procurement Headquarters. The aim of this was to obtain the best, optimum prices from many countries in the world based on the global best sourcing concept. As we have already founded a large number of production subsidiaries overseas, the purchasing departments of these companies exchange information to procure parts and materials from the best suppliers they can find. This means that the time has really come for Japanese parts makers to consider worldwide competition as well as domestic competition.

[Editor] Thank you very much.

**Biography of F[illegible]o Kawachi 1935: 23 December, born. 1959: March, graduated from Faculty of Law, Waseda University; April, entered New Mitsubishi Heavy Industries, Ltd. 1985: June, General Manager, Okazaki Purchasing Department, Purchasing Headquarters, MMC 1988: July, General Manager, Purchasing Administration Department, Purchasing Headquarters 1990: July, Deputy General Manager, Purchasing Headquarters 1991: April, Vice General Manager, Purchasing Headquarters 1992: June, Executive Director, Vice General Manager of Purchasing Headquarters 1995: June, Executive Director, General Manager of Purchasing Department**

## Japan: MITI Official on Auto Parts Industry Policy

*OW1108053296 Tokyo NIHON NO JIDOSHA BUHIN KOGYO in Japanese 30 May 96 pp 26-32*

[Article by Yuji Nagahama, Automobile Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry; original title "Auto Parts Industry and International Trade and Industry Policy." Article part of the 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] **1. Introduction**

As the domestic demand for finished vehicles has increased due to the maturing of Japanese society and the economic pattern is expected to shift from the previous high-growth type to the cyclical type like in the United States, domestic demand in 1995 generally stagnated as seen from the decrease in sales of compact passenger automobiles which occupy a 40 percent share of domestic finished vehicle sales. In addition, the export of finished vehicles which was 4.46 million vehicles in 1994 also decreased greatly to below 4 million. This stagnation in the domestic sales and exports is directly connected to the reduction of domestic production, and the total production achieved in 1995 was only slightly above 10 million vehicles. Naturally, the auto parts industry was affected seriously by the reduction in automobile production and it will face a very severe environment due to the drop in parts shipments and stagnation of business income. Also, as automobile manufacturers have announced that they would continue localize production overseas as a part of globalization, the future perspective for the auto parts is still unclear.

On the other hand, technical innovations of auto parts are expected to advance further through the promotion of the application of electronics, and the social requirements of automobiles including safety, environmental measures and comfort are also expected to receive more emphasis. The auto parts industry is required to develop and produce new high-functionality parts and its role is expected to become more important.

Under these circumstances, auto parts manufacturers have a strong need to develop and produce innovative parts and build a new management strategy including optimum overseas deployment so that they can maintain their growth as businesses and maintain employment.

### 2. Progress of Globalization

### (1) Situation

In the process of progress of globalization of the Japanese automobile and auto parts industries in which the automobile manufacturers have been expanding overseas production and parts suppliers are also opening factories overseas to meet the above expansion, tieups, personnel exchanges and international parts/material cooperation with foreign businesses are expanding, resulting in closer, complex international cooperation relationships in the automobile and auto parts industries. This has made it very difficult to identify the overview of world transactions related to auto parts. For example, since Japan with poor resources is not self-sufficient enough to produce even the passenger automobiles currently produced in Japan if they are broken down on a raw materials basis, it is clear that Japanese automobiles are produced by utilizing the world's resources effectively and based on the efforts of workers in many countries. As a result, it may be almost meaningless to argue about the "excess of exports over imports" or "excess of imports over exports" based on limited statistics such as the import and export values of the primary parts assembled directly by automobile manufacturers and so on.

Such a trend of globalization has a considerable influence on the forms of domestic parts transactions in Japan. The forms of transactions are changing with an inevitable tendency of progress to open, fair competition both inside and outside Japan, and Japanese auto parts companies are called upon to secure international competitiveness in terms of price as well as in the aspects of parts quality and service. On the other hand, the Japanese auto parts industry should orient itself toward coordinated competition by supplying highly competitive parts, supplying technology to overseas parts suppliers, making overseas investments and procuring local parts and materials overseas as truly global businesses, and should keep in mind that it must assume an important role in leading the world.

**(2) Trade Friction**

**1) United States**

The recent trade friction with the United States in the field of automobiles and auto parts has been an important issue in Japanese international trade policy. The Framework Talks, begun in July 1993, spent nearly two years engaged in discussion related to so-called "numerical targets," but the talks were finally settled on 28 June 1995 after ministerial level discussions in Geneva in a form convincing to both Japan and the United States. When we look back at this case, there are points that Japan should reflect on in its automobile and auto parts policy, and many points suggesting future policy orientation were arranged on that occasion. On 16 May 1995, the United States announced a list of candidates for one-sided measures to apply 100 percent customs duty to the imports of luxury vehicles from Japan. Against this, Japan requested discussions based on WTO Clause 22 on the next day and meetings of the WTO Board of Article Trade and General Board were held on 29 May and a meeting of the WTO Dispute Solution Organization was held on 31 May. The reactions of third-party countries with regard to this issue were consistent. Repulsion against the one-sided measure to be imposed by the United States was extremely strong, and the majority objected to it as inconsistent with WTO principles. However, with regard to the U.S. claim that the Japanese market is closed, a considerable number of countries had the same fear and perception as the United States, although there were also statements appreciating or expecting improved efforts by the Japanese government. The Japanese government did make efforts to eliminate the fear and perception of other countries, but it should understand the ideas held by other countries as a serious fact. Even inside the Japanese government, many people think, "if the United States had not threatened one-sided measure but appealed to the WTO about the closed nature of the Japanese market, the course of things would have developed totally differently at the WTO." The government and private businesses in Japan should now correct certain policies according to their respective roles and, if an incorrect perception takes roots in other countries, they should take measures to correct this based on integrated cooperation. As seen above, the presentation of the Japan-U.S. automobile and auto parts issue to the WTO did not result only in criticism against the policy of the U.S. government to exceed international rules, but it also resulted in the reception by Japan of the fear and perception of third-party countries as an important message. Now that the Framework Talks were settled as described above, the focus in the future has shifted to the annual talks to be held to evaluate the progress of the items decided on.

**2) ASEAN**

On 11 December 1995, government-private sector joint talks related to automobile industry policy started in Bangkok with ASEAN and Indochina countries. This became a very significant meeting with the positive participation of several countries, and the participating countries agreed upon a concrete future agenda, which will consist of discussions on the enhancement of market linkages to assure merits of scale (coordination of standard approval systems, etc.), the healthy development of popularization of automobiles, the development of supporting industries and human resources, etc. The specific measures to promote the above are scheduled to be discussed at the next and subsequent meetings.

Southeast Asia is a promising production base and market for the future, but it also has such social problems as traffic congestion and air pollution. Therefore, it may be necessary for Japan to make this committee an opportunity for promoting cooperation in the solution of these social problems as well as for reinforcing the competitiveness of the automobile industries of the participating countries, and the Japanese government is planning to enhance collaboration with manufacturers and agencies and ministries concerned.

**3) China**

The Japan-China Auto Industry Cooperation Association is scheduled to meet in early 1996. Mutual understanding between the governments and industries of Japan and China have made fair progress as a result of three exchange programs in the past, and the objective of the Association lies in letting the cooperation take more concrete shape. We are planning to prepare a meeting place where the Chinese government can explain unclear parts of its policy to the Japanese businesses in this Association, and to make a variety of proposals related to institutional problems hindering Japan-China cooperation in intergovernmental meetings.

**3. Cost Reduction Measures**

**(1) Situation**

Japanese automobile manufacturers are engaged in keen competition with non-Japanese automobile manufacturers that are competitive thanks to the yen's high value in many regions around the world. Meanwhile, automobile manufacturers have come to identify the parts price level and such of foreign parts suppliers through the promotion of global procurement activities and the expansion of local-content procurement following their shifting overseas. Although Japanese suppliers have advantages over foreign suppliers in terms of quality as well as in terms of design-in possibility and delivery term thanks to the closeness of their factories to automobile manufacturers compared to those of foreign suppliers, the above situation has become an unavoidable issue for Japanese manufacturers because the maintenance of competitiveness in terms of price is an indispensable point.

**(2) Ideas Held by Suppliers**

Many parts suppliers identify cost reduction as an issue to be overcome by themselves so that their businesses can survive in the future, but some suppliers are willing to propose cost reduction measures which would be impossible without the understanding and cooperation of finished vehicle manufacturers such as the common use of parts and review of excessive quality requirements, based on the claim that big cost reductions based on in-house rationalization have already reached their limit because they have promoted important restructuring to deal with income deterioration in the last two or three years.

Needless to say, the production of small quantities of multiple parts, the forte of Japanese suppliers, improves the value of each finished vehicle and is also one of the factors maintaining the international competitiveness of the suppliers themselves. It is also a fact that there are suppliers who are negative on changing this production system. The judgment will not be simple whether to prioritize cost reduction or to abandon the sales advantages brought about by the production of small quantities of multiple types. It is often said that it would be relatively easy to maintain international competitiveness in terms of price by the production of large quantities of a small number of parts, like foreign suppliers. However, since Japanese auto parts suppliers have overcome several difficulties in the past, they are expected to exhibit their own tenacity and mobility to the fullest extent to pioneer a path meeting social requirements while maintaining international competitiveness without losing the sales advantages of Japanese auto parts.

**4. Technology Advances and Environmental Issues**

The environmental control of toxic air pollutants and such is increasing. MITI has been coordinating the policy to be taken by the industry by hosting a research committee consisting of members from the industries concerned, including the automobile and auto parts industries. In the future, countermeasures should be studied by considering the responsibility of the automobile industry with the close cooperation of automobile-related industries.

With regard to shredder dust, opinions were exchanged actively at the second meeting of the subcommittee of the Industrial Structure Council held on 15 December 1995. The objective situation tended to pursue the responsibility of manufacturers. In any case, it will be an inevitable topic to study the roles of automobile and auto parts manufacturers in the development of easy-to-recycle automobiles and auto parts, the development of technology for volume reduction, cooperation to promote the regeneration of used parts and the provision of information related to disassembly and other techniques.

Investments into the environment and safety are, by their nature, not connected directly to business profits. Such investments should therefore be undertaken either based on business ethics or legal obligations. With the recycling issue at its present stage, businesses cannot ignore the cost of recycling from the viewpoint of economic rationality. What is important for the smooth promotion of recycling is to establish a social system allowing the efficient recovery of used products as well as to develop recycling technology. As the storage of CFCs used as coolant in auto air conditioners is a familiar topic for automobile owners, it may easily cause social confusion. This makes it indispensable to obtain the understanding and cooperation from users in the transitory period.

As seen above, new measures with respect to the environment have become important for the Japanese automobile industry, which is also required to develop original technology and original products to maintain international competitiveness.

Meanwhile, auto parts are required to be smaller, weigh less and have better durability in addition to the cost reduction requirement mentioned above. This is expected to improve the role of specialized suppliers possessing unique, original technology more than ever, and much is expected for the use of original production technology and design technology featuring new materials everywhere possible. Such a trend has the potential for new changes such as the enhancement of the influence of system parts suppliers based on the fusion of mechanics and electronics, where the new suppliers create systematized parts by incorporating electronic technology in them, for example. On the other hand, suppliers who refine their original specialized technology and who, for example, set advanced processing technology as one of their sales points are also expected to make a leap forward.

The automobile industry is growing increasingly mature, and the need to improve in such areas as performance, safety and comfort of automobiles as well as such social requirements as those for global environmental measures are also increasing. This situation should be analyzed properly, and it is important to deal with it positively by taking it as an opportunity for the creation of demand in new fields of technology and products.

**5. Conclusion**

Japanese automobile manufacturers and auto parts suppliers contribute greatly to the international economy through exports to countries throughout the world, production at local production sites in other countries and business tieups, as well as to the domestic economy. In future, it is necessary for both the government and industry to take optimum measures matching the actual state of things, based on discussions on the occasion of opinion exchanges between Japanese and overseas industries as to what a well-balanced automobile industry should do.

---

## Japan: MOT Officials on Auto Parts Industry Policy

*OW1108064396 Tokyo NIHON NO JIDOSHA BUHIN KOGYO in Japanese 30 May 96 pp 33-42*

[Article by the Ministry of Transport's Shigehiko Imada, Manager, Planning First Section, Engineering Planning Division, Engineering and Safety Department, Road Transport Bureau, and Masahiko Sakai, Manager, Maintenance Service Section, Maintenance Service Division, Engineering and Safety Department, Road Transport Bureau; originally titled "Auto Parts Industry and Transport Policy"; article part of the 1996 edition of the Japanese auto parts industry almanac produced by the Japan Auto Parts Industrial Association and Auto Trade Journal Co., Inc.]

[FBIS Translated Text] **1. Introduction**

The number of deaths in traffic accidents has remained at a high level in recent years. To deal with this situation, automobile safety standards have been extended and enhanced based on the report of the Council for Transportation Technology "Future Technical Measures for Assuring the Safety of Automobiles" (dated 31 March 1993).

With regard to the inspection, maintenance, and servicing applied to secure the compliance of automobiles in the course of use to the safety-maintaining standards and to prevent accidents and pollution due to automobiles, the Council of Transportation Technology also submitted a report entitled "The Way Automobile Inspections, Maintenance, and Servicing Should be in the Future" (17 June 1993), and their review is in progress based on this report.

In addition, among the issues of the Japan-U.S. Framework Talks, which had been negotiated after the agreement on the conference framework in the Japan-U.S. summit meeting in July 1993, the discussion on the automobile and auto parts (hereinafter referred to as the "Japan-U.S. automobile and auto parts talks") was finally settled in the concluding document signed in August 1995, and necessary measures are being taken.

In the following, the automobile administration policy of the Ministry of Transport [MOT] based on the above reports will be described.

**2. Extension, Enhancement of Automobile Safety Standards**

**(1) Automobile Safety Standards**

In Japan, technical standards for guaranteeing safety and preventing pollution on the structure and equipment of automobiles (road transport vehicle safety-maintaining standards, which are hereinafter referred to as "safety-maintaining standards") have been defined based on the Road Transport Vehicle Law in order to secure the safety of automobiles and to prevent pollution (including air pollution and noise) due to automobiles, and automobiles which do not comply with them are not allowed to be used.

Since their establishment in 1951, the safety-maintaining standards have been reviewed periodically to correspond to the actual states of traffic accidents and automobile pollution, changes in the traffic environment and technical developments. In the review, the technical standards related to the safety securing are reviewed based on the reports from the Council for Transportation Technology (an advisory body to the Minister of Transport) and those related to pollution prevention are reviewed based on the reports from the

Central Council for Environment Pollution Control (an advisory body to related ministers).

Elaboration of safety standards requires considerations of the trends of international standards. European countries and the United States have adopted their own automobile standards reflecting the social climate, traffic accident situation, and traffic environment in each country. However, backed by the recent expansion of the international distribution of automobiles, an international activity to harmonize automobile standards has been promoted under the leadership of the Automobile Safety and Pollution Specialists Conference under the UN Economic Commission of Europe (ECE/WP29), and Japan has been participating positively in this activity as one of the main members of the conference. Japan is attempting to secure international transparency of its safety-maintaining standards by notifying other countries of any amendment to the Japanese safety-maintaining standards before they are implemented so that the amended standards would not be seen as an international barrier.

### (2) Trends of Recent Safety Standards

While the quantity of road traffic has increased as a result of the recent increase in automobile ownership and stimulated economic activities, its quality has also been changing following the increase in speed thanks to the construction of expressways, the late-night orientation of lifestyles and aging of the population. Backed by these facts, the traffic environment surrounding automobiles is in a very severe situation, as seen from the deaths in traffic accidents in Japan exceeding 10,000 in each of the 8 years since 1988.

To deal with this situation, on 29 October 1989 the MOT consulted the Council for Transportation Technology, an advisory body to the Minister of Transport, on the policy to extend and enhance safety standards. In response to this, the council submitted a report entitled "Future Technical Measures for Securing the Safety of Automobiles" on 31 March 1993.

With regards to the 12 items proposed in the above report as new items to be regulated or the regulation of which was proposed to be improved in the near future (in one or two years after the publication of the report) and to the three nonobligatory items which were proposed to be regulated so that they would not obstruct safety in case they are used, measures were taken to extend and enhance safety standards through the amendment of the safety-maintaining standards, etc.

As for the introduction of the headlamp light orientation standard pointed out in the report of the Council for Transportation Technology in December 1995, the regulation was arranged together with the installation positions of lighting equipment including the headlamps, tail lamps and direction indicators in the same month based on the standard plan agreed upon in a subpanel of ECE/WP29.

### (3) Future Measures for Extending, Enhancing Automobile Safety Standards

The items listed as safety standard extension/enhancement targets in the above mentioned report of the Council for Transportation Technology totaled 46, including the items described above. They include items which were proposed to be arranged in mid term (three or four years after publication of the report) such as the improvement of the braking performance of large vehicles and automatic lighting of the headlamp of two-wheel vehicles, and those which were proposed for future research such as ability to withstand electromagnetic waves and improvement of the fail-safe properties of electronic devices.

In the future, MOT will take active measures to extend or enhance automobile safety standards and promote R&D based on the contents of this report.

## 3. Amendment of Automobile Inspection, Maintenance, and Servicing System

The inspection, maintenance, and servicing of automobiles should meet recent progress in automobile technology; the diversification of the ways automobiles are used; and, reflecting people's growing familiarity with automobiles, it is also necessary to promote maintenance and management by users themselves.

Considering this situation, the Road Transport Vehicle Law and associated ordinances were amended in March 1994 to review the automobile inspection and checking/servicing systems to secure automobile safety and prevent pollution while also considering the reduction of the burden on the people, and the new system founded on the "own responsibility" principle was started in July 1995. An outline of the amendment is as described below.

### (1) Introduction, Simplification of Routine, Periodic Maintenance and Servicing

The responsibility of automobile users themselves was declared clearly and, at the same time, the specific check items were defined for the routine maintenance and servicing to be performed with the most suitable timing judged by users according to the distance driven and the operating condition of the automobile.

Periodical maintenance and servicing has been reviewed by removing the obligation of the six-month check of private automobiles, halving the items checked in the

12-month and 24-month inspections and by reducing the number of items checked for other vehicles.

### (2) Establishment of the Check Recommendation System

Following the entrusting of maintenance and servicing to the maintenance and management responsibility of users, the previous indication/reporting system was abolished and the maintenance and servicing recommendation system without the obligation to report or penal regulations was established to deal with vehicles which have not been checked or serviced for a long period of time and which clearly need maintenance and servicing from the viewpoint of safety and pollution prevention.

### (3) Omission of Presentation of Actual Vehicles for New Inspection of Deregistered Automobiles and Reinspection of Automobiles in Successive Inspections

1) When a used automobile the registration of which has been canceled is to be reused, it has to pass a new inspection (it is usually called a "used new" vehicle). In this case, the previous regulation made it necessary to pass the inspection at a governmental inspection site. However, to stimulate the capabilities of the private sector, the new regulation makes it possible to omit the presentation of the actual vehicle at the government site when a passenger vehicle has received the necessary maintenance and servicing, passed the inspection and obtained the safety-maintaining standard compliance certificate at a designated automobile servicing business.

2) The previous regulations made it necessary that a vehicle that could not pass a subsequent inspection should have to pass another inspection at a government inspection site. However, to stimulate the capabilities of the private sector, the new regulations allow the presentation of actual vehicle at the government site to be omitted if the points causing rejection have received servicing, passed inspection and obtained the limited safety-maintaining standard compliance certificate at a designated automobile servicing business.

### (4) Extension of Inspection (Government) Period of Private Passenger Automobiles 11 Years of Older

With private passenger vehicles 11 or more years old and compact 2-wheel vehicles 10 or more years old, the validity of the automobile inspection certificates is extended from one year to two years.

### (5) Review of Automobile Disassembly/Servicing Business Certification System

The standard shop area for an automobile disassembly/servicing business has been reviewed, the certification of standard or larger vehicles with 3-number licenses is separated and made an independent operation from standard automobile disassembly/servicing business, and the certification of compact two-wheel vehicles is also separated and made an independent operation from the compact automobile disassembly/servicing business. (The effect of the above includes the possibility that a servicing shop which has been able to handle only compact vehicles with five-number licenses can now handle medium or larger vehicles with three-number licenses without changing the shop's area.)

The devices to be installed in certification shops has been reviewed to meet the change in maintenance and servicing operations and procedures following the progress of automobile technology.

### 4. Measures with Respect to Japan-U.S. Automobile and Auto Parts Talks

The Japan-U.S. automobile and auto parts talks started after the agreement on the discussion framework in the Japan-U.S. summit meeting in July 1993 aiming at building a comprehensive Japan-U.S. relationship. After two years of negotiations, it was settled finally by the concluding document signed in August 1995.

As a result, the MOT applied the following measures in the field of auto servicing parts;

1) Review of the definition of disassembly/servicing (partially enforced);

2) Deregulation related to servicing shops (partially enforced):

3) Review of coverage range of structural modification inspection (completed);

4) Installation of request and claim treating offices (completed).

The MOT is presently enforcing the above actions sincerely while obtaining understanding from the parties concerned.

### (1) Review of Definition of Disassembly/Servicing (Reduction of Critical Safety Parts)

With the four items that the concluding document required to take measures within two months after the settlement, that is, the shock absorbers (including the attached coil springs), struts (including the attached coil springs), power steering, and trailer hitch, the MOT ordinance was amended in October 1995 to remove these items from the definition of disassembly/servicing.

In addition to the above, it has also been decided that the definition of disassembly/servicing would be subjected to an overall review to meet further progress in automobile technology.

**(2) Deregulation Related to Service Shops**

The minimum required area of certified shops was relaxed and the number of tools and devices to be installed in certified and designated shops was decreased in July 1995. The relaxation of the staffing requirements of servicing shops is also planned in the future.

**(3) Review of Coverage Range of Structure Modification Inspections**

To relax the procedures required when installing auto parts that the concluding document requested to take measures within three months after the settlement (by abolishing the structural change inspection requirement in the case of minor change in the structure or devices) and to facilitate changes to meet user diversification, such as changes for improving ease of use, and modifications of control devices to assist handicapped persons, the procedures for minor changes in automobile structures and devices were simplified in November 1995. Specifically, notification "Handling of Structural Change Inspection and Other Operations After Auto Parts Installation" was established so that the automobile inspection certificate entry change and the structural change inspection are not required in cases; 1) when the dimensions (length, width and height) and body weight are within a certain range after parts are installed, or; 2) when the designated auto parts (hereinafter referred to as "designated parts") are installed by methods other than welding and riveting.

**Major Designated Parts**

1) Auto parts based on Japan-U.S. talks (aerodynamic spoilers, roof rack, shock absorbers, etc.)

2) Auto parts based on user diversification (air bags, ladder

3) Auto parts of control devices for handicapped persons (steering wheel, manual operation parts for braking/acceleration, etc.)

Note) Automobile inspection certificate entry change and structural change inspections:

The Road Transport Vehicle Law prescribes that if there are any change in any of the items entered on the automobile inspection certificate, recertification should be applied within 15 days from the date of the change.

According to the law, if a change to any of the major entry items could result in noncompliance of the automobile with the safety-maintaining standards, the Minister of Transport can order the automobile to pass a structural change inspection.

**(4) Acceptance of Requests and Claims Office**

According to the concluding document, an office was established in September 1995 that accepts requests and claims related to the disassembly/servicing definition and structure change inspection.

**5. Participation in Automobile Mutual Approval Agreement**

**(1) Circumstances**

In the past, MOT has simplified the automobile certification procedure to improve market access, by matching Japanese automobile standards with international standards and accepting the test data of public test institutions in the EU. In addition, "On the Deregulation Promotion Program," adopted at a cabinet meeting in March 1995, decided that the standard certification field would be reviewed by introducing a mutual recognition system, etc. Based on the above, Japan has been examining the schedule of participation in the 1958 amended agreement of the UN Economic Commission of Europe (ECE) "Agreement on the Adoption of Unified Technical Regulations for Wheeled Vehicles or Devices and Parts Which Can Be Attached to or Used with Wheeled Vehicles, and on the Condition of Mutual Recognition of Approvals Granted Based on the Above Regulations".

**(2) Participation Schedule**

Japan will further study participation in the 1958 amended agreement of UN ECE as described below.

1) To apply the UN ECE 1958 amended agreement smoothly, it is necessary to establish a device certification system based on the agreement and prepare rules to recognize certification by a foreign government based on the agreement as Japanese certification. Therefore, Japan will promote the procedures including the preparation of related laws and set it as the target to participate in the agreement as soon as possible, upon completion of the required domestic procedures. Specifically, the details of the domestic systems to be prepared will be established in 1996 and the related laws will be prepared in 1997.

2) After participation in the agreement, passenger vehicle brakes*, headlamps*, front fog lamps, reflectors, etc. will be handled according to the agreement as the first stage. In this period, measures will be taken to facilitate the enforcement of the agreement and the persons concerned will be informed of this.

3) As a country signing the agreement, Japan will contribute more to the international coordination of standards and, based the results of this, will expand the items covered by the agreement.

Note) Items marked with "*" will be covered after the international coordination standard based on the UN ECE 1958 amended agreement comes into effect.

### (3) Mutual Recognition Agreement and Its Effects

Under the mutual recognition system, a device which has been tested and the standard compliance of which has been confirmed in one country is allowed to be used in another country without re-testing or data submission, and this is mutually applied between participating countries.

As this system makes unnecessary the certification procedure in the country importing the device, market access between the countries can be improved further and the certification cost can also be saved.

### Explanation of UN ECE 1958 Agreement

### 1. Point of Agreement

This is a multilateral agreement of the UN ECE signed in 1958, and its objective is to realize the unification and mutual recognition of safety and pollution related standards of individual automobile devices.

### 2. Participation Situation

The 25 countries listed below participated in the agreement as of February 1995:

Germany, France, Italy, Holland, Sweden, Belgium, Hungary, Czech Republic, Spain, Yugoslavia, the UK, Austria, Luxembourg, Switzerland, Norway, Finland, Denmark, Rumania, Poland, Portugal, Russia, Greece, Croatia, Slovenia, Slovakia.

### 3. Establishment, Amendment of Standards

(1) The certification standard for mutual recognition was established and amended at ECE/WP29. This subcommittee includes Japan, the United States, Canada, Australia, South Africa, etc. participating as observers in addition to the countries participating in the 1958 agreement.

(2) As of July 1995, 95 standards (ECE rules) have been established for each device.

### 4. Mutual Recognition Based on 1958 Agreement

(1) A country signing the agreement should select the ECE rules it will accept.

(2) A country accepting ECE rules should;

1) allow the use of the approval mark on a device when certifying it according to ECE rules. Approval mark: (E)

2) not take the certification procedure for a device which has been certified and carries the approval mark.

### Concept of Mutual Recognition

Under the mutual recognition system, a device which has been tested and found to comply with the standard in one country is allowed to be used in other countries without retesting or data submission, and this is mutually applied between participating countries.

As this system makes the certification procedure unnecessary in the country importing the device, market access between countries can be further improved and the certification cost can also be saved.

## North Korea

### DPRK: Daily: 'Ulchi' Exercise Obstructs National Reunification.

*SK1308091896 Pyongyang KCNA in English 0914 GMT 13 Aug 96*

["'Ulchi' Threatening Peace" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 13 (KCNA) — NODONG SINMUN today accuses the South Korean puppets of its plan to stage large-scale "Ulchi" war exercises against the North for five days from August 19.

The analyst of the paper says:

The South Korean puppets cry that, through the war game, they must make the South Korean people discard their "sentimental conception of reunification" and heighten the "vigilance against the North and awareness of security".

Their utterances are anti-national and anti-reunification bellicose remarks inciting extreme antagonism among the fellow countrymen and openly declaring confrontation and war with the north.

What they seek in planning the "Ulchi" war game is to quell down the ardent desire of the nation for reunification which is rising with the August 15 pan-national rally at hand, further aggravate the North-South confrontation and thus bring the situation to the brink of war. This is a criminal intention to obstruct national reconciliation and reunification.

The Kim Yong-sam group must withdraw the planned "Ulchi" war game at once and stop all moves to frustrate the 7th Pan-National Rally.

If they persist in their moves in defiance of our warnings, they will pay dearly for this.

### DPRK: Paper Cited on Kim Yong-Sam's Cabinet Reshuffle

*OW1208132196 Pyongyang KCNA in English 1017 GMT 12 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 12 (KCNA) — NODONG SINMUN today comments on the "cabinet reshuffle" effected by Kim Yong-sam some time ago.

According to the reshuffle, the "Ministry of Marine Fisheries" was newly set up and "chiefs" of six ministries and agencies including the "deputy prime minister in charge of economy" were replaced by the former "chief presidential secretary" and other faithful servants of Kim Yong-sam.

Branding this reshuffle as another stopgap measure to evade his responsibilities by shifting the blame for the political failure of the "civilian government" and the political and economic crisis onto his underlings and achieve "stability" at the close of his term and win in the next "presidential elections" by laying a foundation of power with his faithful servants, the signed commentary of the paper says:

It was the 17th "cabinet reshuffle" in less than four years since he took power. This means that he reshuffled chiefs of administrative organs every three months on an average.

He is now crying that he would achieve something through the "cabinet reshuffle". But it is nothing but a foolish and futile effort to save himself from the political and economic crisis.

### DPRK on Releasing South Korean Novelist Who 'Violated' Border

*SK1308095696 Pyongyang KCNA in English 0950 GMT 13 Aug 96*

["S. Korean Intruder To Be Sent Back" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 13 (KCNA) — The competent agency of the DPRK has investigated a South Korean, Kim Yong, who illegally violated its northern frontier at dawn on July 31.

According to the investigation, it has been confirmed that Kim, who is a novelist under the National Association of Writers in South Korea and a lecturer of Pusan Conservatory, committed a very serious crime.

However, the agency has decided to forgive him with lenity and send him back soon through a course concerned, proceeding from the compatriotic feelings and humanitarian stand and taking his frank confession into consideration.

### DPRK: ROK Accused of Trying To Obstruct World Aid to DPRK

*OW1208232296 Pyongyang KCNA in English 2237 GMT 12 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 12 (KCNA) — The spokesman for the Committee for the Peaceful Reunification of the Fatherland [CPRF] issued a statement today denouncing the South Korean authorities for working hard to obstruct international assistance to the flood-hit DPRK.

The statement says:

As is known, some areas of the DPRK were hit hard some time ago by heavy rains, which entailed great losses.

In this connection, many countries, international organisations and public bodies have expressed sympathy and consolation to the Korean people and their willingness to render relief goods to them from the noble humanitarian stand. Even those countries which have had abnormal relations with the DPRK manifest their readiness to render humanitarian assistance to the flood-hit DPRK, apart from the "four-way talks."

This being the situation, only the South Korean authorities behave despicably to block international assistance to the DPRK, arguing that "the four-way talks is a condition for assistance to North Korea" and "international policy cooperation should be strengthened."

This shows what they mean by the "four-way talks" and what they seek at the talks.

The "talks" and "dialogue" called for by the South Korean authorities, who are indifferent to fellow countrymen and humanitarianism, are aimed at inter-Korean confrontation and strangulation of fellow countrymen. This is well known to people around the world.

It is the beautiful customs and hereditary ethics of the Korean nation to feel sorry for suffering neighbours and render sincere help to them.

We have never ignored the misfortunes and sufferings of the South Korean people nor have we spared anything to help them materially and morally with compatriotic feelings. Especially, when they were suffering a big misfortune from flood damage in 1984, we sent them disinterested and unconditional relief goods — large quantities of food, cement, textiles and medicines — from the compatriotic and humanitarian stand.

However, the South Korean authorities, far from consoling and assisting the fellow countrymen in the North, who are suffering from flooding, have obstructed others' assistance, calling for "policy cooperation". This proves again that they are a group of barbarians and traitors with no sense of elementary ethics and morality and no compatriotic feelings.

The CPRF bitterly condemns their obstruction of international assistance to the North hit by floods, considering it to be a rude, inhumane act against compatriots and an intolerable criminal act to bring greater misfortune to the North.

Their desperate efforts to obstruct international assistance will only show the world people their inhuman nature and invite bitter denunciation at home and abroad.

The Kim Yong-sam group must know that they have nothing to get by rejecting national reconciliation and unity and keeping others from assisting the North.

We will keep tabs on the Kim Yong-sam group further deteriorating inter-Korean relations and continuing to perpetrate crimes and make them pay dearly for them.

Our disaster is a temporary thing and our socialism is invincible.

The Kim Yong-sam group must stop running wild with a foolish design.

The entire fellow countrymen are hardly repressing national resentment against the South Korean authorities, who are harming the North.

We express the belief that the 70 million fellow countrymen will invigorate the struggle to remove a handful of such traitors as the Kim Yong-sam group from within the nation.

### DPRK: Last Day of Trial of Former ROK Presidents Noted

*SK0808084796 Pyongyang KCNA in English*
*0825 GMT 8 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA) — The South Korean puppet prosecution at the final trial held on August 5 on those involved in the "December 12 Army purge coup" and the May 18 Kwangju massacre demanded death and 222.3 billion won of additional imposition for the traitor Chon Tu-hwan and life imprisonment and 283.8 billion won of additional imposition for the traitor No Tae-u, a Seoul-based radio reported.

Life imprisonment or prison terms ranging from ten to 15 years were demanded for Chong Ho-yong, Hwang Yong-si and 12 other criminals.

### DPRK: Kim Yong-sam Group Berated for Blocking Pannational Rally

*SK0908034996 Pyongyang KCNA in English*
*0308 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The Kim Yong-sam group are these days frantically suppressing patriotic, pro-reunification democratic forces hoping for reunification through alliance with the North and communism including the vice-chairman of the Council of Democratic Youth Organisations and the chairman of the Policy Committee of the National Congress for Independent and Peaceful Reunification in South Korea almost every day.

Branding this suppression as part of their premeditated moves to block the 7th Pan-National Rally (PNR), a news analyst of NODONG SINMUN today says:

The Kim Yong-sam group intend to block the PNR and the reunification festival of youth and students at the point of the bayonet by branding them as "illegal" as they did in the past. This clearly proves that the group do not want reconciliation between the North and the South and the peaceful reunification of the country and that, although they are loud-mouthed about "dialogue" and "talks", they totally oppose them in actuality.

Inter-Korean dialogue and talks are intended to achieve reconciliation and unity of the nation and the independent and peaceful reunification of the country.

It is ridiculous of the puppets to talk about "dialogue" and "talks" while inciting confrontation and the perpetuation of the division. It is also an insult to us.

### DPRK: Hanchongnyon Delegates Publish Written Address

*SK1308094096 Pyongyang KCNA in English*
*0920 GMT 13 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 13 (KCNA) — We will expose and denounce the anti-reunification, anti-national and opportunist nature of the Kim Yong-sam regime and take part in all reunification events to be held in the North as delegates from the South in case the Grand Reunification Festival of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) in Seoul is made abortive owing to the suppression by the enemy.

Delegates of the South Korean Federation of University Student Councils (Hanchongnyon), which represents the South headquarters of Pomchonghangnyon, Yu Se-hong and To Chong-hwa said this in a written address they published at a press conference held on August 12 concerning their arrival in Pyongyang and the second meeting of the Pomchonghangnyon Central Committee.

They said that the fourth-term "Hanchongnyon," that is the South headquarters of Pomchonghangnyon, dispatched them to Pyongyang as a group for welcoming youth and student delegates from the North and abroad to the Sixth Grand Reunification Festival of Pomchonghangnyon, which will be held in Seoul.

They said:

"We are going to hold, during the Seoul Grand Reunification Festival of Pomchonghangnyon on August 13, 14 and 15, the historic first general meeting of Pomchonghangnyon and the joint meeting of youth and students which inherited the spirit of the joint conference of representatives of political parties and social organisations in North and South Korea in 1948 in order to achieve peace of the country and great national unity by pooling the strength and wisdom of youth and students in the North, South and abroad united by Pomchonghangnyon.

"We two delegates will struggle for the general meeting and the joint meeting, by leading a group of North and overseas Koreans to pass through Panmunjom.

Answering questions put by reporters, they referred to the preparations for the Sixth Grand Reunification Festival of Pomchonghangnyon and their impressions of Pyongyang after their arrival and said what they want to tell their parents, brothers and sisters, relatives and fellow students in the South.

They said:

The preparations for the Grand Reunification Festival are being made according to the decision of the Pomchonghangnyon Central Committee and other local events are a picture and photo exhibition for reunification, a welcome ceremony for reunification vanguard squad and events for sister relations with universities under the North headquarters and overseas headquarters.

Kim Yong-to, director of the Secretariat of the North headquarters of Pomchonghangnyon, informed newsmen of the result of the second meeting of the Pomchonghangnyon Central Committee.

### DPRK: Timetable for 7th Pannational Rally 13-15 Aug Noted

*SK1308083096 Pyongyang KCNA in English 0435 GMT 13 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 12 (KCNA) — A spokesman for the North Preparatory Committee of the Seventh Pan- National Rally (PNR) was interviewed by KCNA today as regards the rally to be held to celebrate the 51st anniversary of national liberation.

The spokesman said:

Originally, the Seventh PNR was to be held jointly in Seoul by Koreans in the North, South and overseas.

Finding it difficult to cosponsor the Seoul rally due to the persistent obstructions by the South Korean authorities, however, the North, South and overseas headquarters of the National Alliance for the Country's Reunification (Pomminnyon) agreed to hold the rally separately.

Under a tripartite agreement, the agenda item "Tasks for opening an epoch-making phase of national reunification under the banner of peace and great national unity" will be discussed and joint documents adopted at the rally to be held in Pyongyang, Seoul and Shenyang, China.

The Pyongyang rally will be held in Pyongyang and Panmunjom between August 13 and 15. This period will see the opening ceremony of the rally, a meeting to vow to fulfill the great leader President Kim Il-song's behest on reunification, a solidarity meeting for the release of pro-reunification patriots in South Korea and a "1996 pan-national meeting for peace and reunification of the country."

In this period, the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) will continue fighting to go to Seoul for the Sixth Grand Reunification Festival of Pomchonghangnyon. The festival will include the First Congress of Pomchonghangnyon, a joint meeting of youth and students from the North, South and overseas for peace and great national unity, a reunification concert of Pomchonghangnyon and other cultural events.

The rally and the festival will demonstrate the united strength of the pro-reunification patriotic forces in the North, South and overseas, will frustrate the new war preparations and confrontation rackets of the anti-reunification forces and will greatly encourage all the Koreans to fight to open a radical phase for peace, great national unity and reunification of the country.

### DPRK: Pomchonghangnyon Delegates Arrive for Pan-National Rally

*SK0908114896 Pyongyang KCNA in English 1055 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Members of a delegation of the overseas headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghangnyon) arrived in Wonsan today by the ship Mangyongbong 92 to participate in the Seventh Pan-National Rally.

Among them were delegates of the Tokyo metropolitan, Kanagawa, Osaka, Hyogo and Kyoto prefectural offices of the League of Korean Youth in Japan under Pomchonghangnyon and a delegate of Kanto area of the Union of Korean Students Studying in Japan.

### DPRK: New Private Flood Aid Group Formed in Japan

*SK0908094596 Pyongyang KCNA in English 0848 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — A meeting was held in Tokyo on July 24 to form "AFM", a nongovernmental organization for aid to flood-hit Korea involving personages of different social strata of Japan.

Attending the meeting were over 100 figures from political, business, academic, religious and cultural circles and agricultural, women's and other organizations in Japan. Among them were Hiromu Nonaka, acting secretary general of the Liberal Democratic Party, and Taro Nakayama, former foreign minister.

Speaking at the meeting on behalf of the promoters, Makoto Tanabe, Social Democratic member of the House of Representatives of Japan, said this nongovernmental aid organization involving suprapartisan statesmen and personages of different social strata has been inaugurated in Japan by public efforts as regards the flood damage in the DPRK.

The speaker called for not a temporary but continued relief on a wide scale to the flood-hit DPRK. So, the organization should expand and develop its detailed action across Japan as a group of good intentions based on humanitarianism, he said.

O Hyong-chin, vice-chairman of the central standing committee of the General Association of Korean Residents in Japan, made a speech there.

At the meeting, former independent member of the House of Councillors Tokuma Utsunomiya, former prime minister's wife Mutsuko Miki and Makoto Tanabe were elected chief secretaries and 38 personages permanent secretaries of the "AFM".

### DPRK: Paper Cited on Japanese 'Military Expansion'

*SK0908032396 Pyongyang KCNA in English 0242 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The National Defence Agency of Japan recently decided to enlist retired "self-defence officers" and even civilians as "reserve self-defence officers".

Commenting on this, NODONG SINMUN today says:

By doing so, Japan seeks to extensively expand its aggression Armed Forces in the event of "contingency" and set about overseas military expansion in full swing.

The open recruitment of civilians as "reserve self-defence officers" by the Japanese militarist forces is part of their manoeuvres to undisguisedly realize the conversion of Japan into a military power and its reinvasion.

It is said that the "system of reserve self-defence officers" will be turned into a systematic organisation with the "quick reaction reserve self-defence officers as the main point" next year. This can be regarded as a revival of "conscription system" Japan adopted to drive its people to the war of aggression on the continent in the past.

If the Japanese reactionaries act rashly, oblivious of the lesson of history, they will get nothing but ruin.

### DPRK: Hwang Chang-yop Meets Visiting Group From PRC's Xinjiang

*SK0908113696 Pyongyang KCNA in English 1050 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, today met and had a friendly talk with the visiting delegation of cadres of the Communist Party of China led by Zhou Shengtao, deputy secretary of the Xinjiang Uygur Autonomous Regional Committee of the CPC.

Present there was Chinese ambassador to Korea Qiao Zonghuai.

The head of the delegation said that during his stay in the DPRK, he was impressed, witnessing the brilliant successes the Korean people achieved in socialist construction under the leadership of the great leader Comrade Kim Il-song and the great progress they are making under the leadership of the great Comrade Kim Chong-il, despite all kinds of trials.

The party and government of China will unwaveringly develop the Sino-Korean friendship, he stressed.

Noting that the Chinese people will support the Korean people as in the past, so in the future, he expressed the belief that the independent and peaceful reunification of Korea will certainly be achieved.

### DPRK: Social Democratic Party Official Meets Brazilian Lawmakers

*SK0908113996 Pyongyang KCNA in English 1052 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Kim Pyong-sik, chairman of the Central Committee of the Korean Social Democratic Party (KSDP), met and had a friendly talk with visiting Beto Lelis and Gonzaga Patiota, socialist members of the Chamber of Deputies, at the People's Palace of Culture today.

The Brazilian lawmakers said during their visit to Korea they witnessed how superior the socialist system of Korea is and what a happy society the Korean people live in. The DPRK set a practical example of how people should lead a socio-political life, they added.

They stressed that they will struggle to build a society like Korea in Brazil, following this example.

They said they will establish relations between the Socialist Party of Brazil and the KSDP and develop friendship and cooperation between the two parties.

### DPRK Paper Congratulates ASEAN on Its Anniversary

*SK0808100696 Pyongyang KCNA in English 0842 GMT 8 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA) — The Korean people send warm congratulations to the ASEAN member nations on the 29th anniversary of the foundation of the ASEAN and firmly believe that the ASEAN will successfully carry on its role in the future, too, says NODONG SINMUN today in a signed article.

The paper notes that the ASEAN has made great achievements in the work of promoting economic growth, social progress and cultural development and keeping peace and stability in the region, pushing aside the interference of the imperialists.

It continues:

The history of ASEAN shows that to do everything with one's own strength and intelligence in the spirit of independence would bring big success in solving problems.

We are sincerely rejoiced over the great achievements the ASEAN has made, frustrating the imperialists' intervention.

It is the invariable stand of the Democratic People's Republic of Korea to develop friendly and cooperative relations with the ASEAN nations.

The friendly relations between the DPRK and the ASEAN countries have developed on good terms in the past.

The Korean people will further strengthen and develop the friendly and cooperative relations with them.

### DPRK: 'Unprecedented' Floods Hit Sinuiju Area 12 Aug

*OW1208230896 Pyongyang KCNA in English 2241 GMT 12 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 12 (KCNA) — Sinuiju City and Uiju County in North Phyongan Province of the DPRK were hit by unprecedented floods earlier this morning and are submerged.

This area had been greatly damaged by floods last year.

The big disaster this time was caused by heavy rains that fell on northeast China and the northern area of North Phyongan Province.

Precipitation in the northern area of this province was 110 mm to 180 mm in 24 hours till five o'clock this morning.

Heavy rains up to some 200 mm fell in a day in northeast China adjacent to the Amnok River, so the water level of the river rapidly rose to nearly six metres.

At high tide, water overflowed into the Amnok River from the West Sea of Korea, creating a very high pressure. As a result, the bank of the river was destroyed at eight locations, 120 metres, and the August 9 bridge in Sinuiju was cut at ten spans, some 600 metres.

Factories, enterprises, public buildings and dwelling houses have been inundated, motorways destroyed and many hectares of farmland submerged.

An emergency rescue team has been formed and begun its work for rescuing people and property. The situation of damage has not yet been made clear.

Competent organs are said to start the survey of the damage after finishing the rescue work.

### DPRK: Facilities at Najin Hotel No. 1 Described

*SK0808100896 Pyongyang KCNA in English 0903 GMT 8 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA) — Najin Hotel No. 1 has taken its shape in Anju-tong of the Najin-Sonbong Free Economic and Trade Zone.

The 11-storeyed hotel (one floor underground) has been built on the seashore against scenic hillocks, and its floor space is some 10,000 square metres.

The hotel with rooms of three classes can accommodate 200 guests.

This modernly-built hotel has been equipped with luxurious decorations inside and enough facilities to satisfy the demands of guests.

From the underground floor to the second floor, there are catering and service facilities and sports and recreation facilities on both sides of the central hall.

There are also several negotiation rooms, a banquet hall, restaurants, counters, etc.

On the top floor is a dining and observation room.

The operation of the hotel is computerized.

The hotel, jointly run by the Korean Chongnyu Trading Company and the Daisn Company [name as received] of Hong Kong, will soon open.

### DPRK: Kim Chong-il Sends Birthday Greetings to Fidel Castro

*OW1208132296 Pyongyang KCNA in English 1027 GMT 12 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 12 (KCNA) — The Great Leader Comrade Kim Chong-il sent a congratulatory message to Comrade Fidel Castro Ruz, first secretary of the C.C., the Communist Party of Cuba, president of the Council of State and president of the Council of Ministers of Cuba, today on his 70th birthday.

In the message comrade Kim Chong-il extended the warmest congratulations and comradely greetings to Fidel Castro Ruz on his birthday.

Comrade Fidel Castro Ruz took part in the revolutionary struggle in his early years and has dedicated, with revolutionary enthusiasm and unbounded devotion, all his life to the victory of the revolution in Cuba and the improvement of its people's welfare, the message noted.

The Cuban people, rallied closer around the Communist Party of Cuba headed by him, are now making enormous achievements in the struggle to defend the gains of socialism and achieve the prosperity and development of the country, braving every challenge of the enemy at home and abroad, it added.

The Korean people are sincerely rejoiced over this [as received] and extend firm solidarity to their cause of justice, said the message, expressing the belief that the fraternal relations of friendship and cooperation between the parties and peoples of the two countries, based on the special intimacy and comradely obligation the great leader comrade Kim Il-song established with comrade Fidel Castro Ruz long ago, will continue to consolidate and develop.

### DPRK: Working People, Soldiers Visit Kumsusan Memorial Palace

*SK0808104596 Pyongyang KCNA in English 1025 GMT 8 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 8 (KCNA) — Working people from all walks of life and soldiers of the Korean People's Army [KPA] today visited the Kumsusan Memorial Palace where the great leader President Kim Il-song is preserved in state.

Officials of the National Academy of Sciences, the State Physical Culture and Sports Commission and other central state organs and working people in Pyongyang and from South Hwanghae Province and soldiers paid homage to the statue of President Kim Il-song before making bows to him at the palace.

They hardened their belief that the socialist homeland of chuche built by President Kim Il-song and led by the great leader Comrade Kim Chong-il would smash the imperialists' moves and demonstrate its dignity and honour throughout the world.

### DPRK: Foreigners, Overseas Koreans Pay Respects to Kim Il-song

*SK0908032696 Pyongyang KCNA in English 0231 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — Foreigners and overseas Koreans on Thursday [8 August] visited the Kumsusan Memorial Palace where the great leader President Kim Il-song is preserved in state.

Among them were officials of the Yemeni Embassy in Pyongyang, the delegation of Thammasat University of Thailand led by Vice Chancellor Kundhol Sriseambhok, foreign guests, a home-visiting group of Korean students in Japan and overseas Koreans staying in Korea.

They made bows in humble reverence to President Kim Il-song at the palace after expressing deep respects before his statue.

### DPRK: Japanese Group Lays Basket at Kim Il-song Statue

*SK0908032796 Pyongyang KCNA in English 0239 GMT 9 Aug 96*

[FBIS Transcribed Text] Pyongyang, August 9 (KCNA) — The second Japanese delegation for the study of the chuche idea led by Koichi Miyoshi, vice-president of the National Liaison Council of Societies for the Study of the Chuche Idea, staying in Korea visited the statue of the great leader President Kim Il-song on Mansu Hill Thursday [8 August].

The visitors laid a basket of flowers and made bows before the statue.

The head of the delegation said President Kim Il-song regarded the people as heaven, took love for them as his motto and worked hard for their happiness until the last moment of his life.

The leader Kim Chong-il is now striving hard to carry out behests of the president, he said, adding:

The people of the DPRK rallied around him are dynamically developing the people-centred socialism.

He declared that they would actively join in the efforts for early normalization of Japan-DPRK diplomatic relations and for the independent and peaceful reunification of Korea.

---

### DPRK: NODONG SINMUN Praises DPRK-Style Socialism

*SK1008020196 Pyongyang Korean Central Broadcasting Network in Korean 1000 GMT 7 Aug 96*

[NODONG SINMUN 7 August special article: "Our-Style Socialism and the Future of the Nation"]

[FBIS Translated Text] Today's reality is the grounds of the stern judgment of history. The present reality of the North and the South, in which two entirely different systems are established, eloquently shows which society is solid and has vitality.

Whereas our socialism represents a society which embodies sublime philosophy and ideals, South Korean society represents a society based on anti-people and antihumanity ideals. Whereas our socialism represents an independent society built on our own convictions and strength, South Korean society represents a colonial society dominated by foreign forces and where nation-selling is rampant.

The invincibility of our-style socialism and the vulnerability of South Korean society are in sharp contrast. Our people firmly believe through their actual life that the popular mass-centered our-style socialism established in the northern half of the Republic is the society with the greatest vitality and solidity, and it cannot be shaken by any difficulties.

The bright future of the nation rests not with the South Korean colonial society, but with the socialist society of the northern half of the Republic. No matter what gibberish the imperialists and all sorts of reactionaries may employ, they can never overturn this stern truth.

**1. Our-style socialism is the most solid and invincible society, one that is not shaken by any difficulties.**

The great leader [widaehan yongdoja] Comrade Kim Chong-il has noted: The great superiority of our country's socialism is that all the people are wholeheartedly united around the party and the leader, forming a strong main force of the revolution; that socialism is developing on the firm foundation of independence, self-reliance, and self-reliant national defense; and that the people's independent and creative socialist life is in full bloom.

The solidity of a society is verified through long historical practice. Looking back on mankind's history, we note that there have been various types of societies and governments. Their vitality and solidity varied in a great number of ways.

In mankind's history, there were circumstances where even a social system built on the aspirations of the times and people, let alone an anti-people society, collapsed from various factors. History and reality show that it is not easy to build a society or government that cannot be shaken by any external pressure and that is free from collapse from within.

Today our-style socialism highly displays its magnificent appearance as socialism with greatest solidity and vitality, unshakable by any historical difficulty.

The history of establishing, solidifying, and developing socialism in the northern half of the Republic has been far from smooth. The division of the country's land into two by foreign forces, the fierce war in which we fought against the armed invasion by combined imperialist forces, the imperialists' continuous maneuvers for aggression and destruction, the rapidly changing international situation, and the reactionaries' intensifying anti- DPRK and antisocialist maneuvers—under these conditions, our-style socialism was built and has developed. During this period, there has never been any political unrest or instability in the northern half of the Republic.

The history of our struggle itself, which has traversed an unprecedentedly arduous road, is a living witness to the invincibility and inexhaustible vitality of our-style socialism.

The invincibility of our-style socialism has been more clearly demonstrated especially since the collapse of socialism in various countries. The imperialists and reactionaries stepped up their mean vilification of our country—a fortress of socialism—in an unprecedented manner, raving over the situation created, as if socialism had been brought to an end.

The purpose of their maneuvers is to eliminate our people's faith in socialism and to block the socialism of our own style from influencing the people of the world. However, the political, economic, and military strength of our socialism has not weakened as the enemy tried to blemish it, but has been strengthened a hundred fold. Our socialist system has not been falling down, but is becoming more prosperous. This is a reality no one can deny.

The invincibility of our socialism lies in the fact that our system has the national legitimacy of loving the country and the nation, and that it was built in our own way to serve our people's desires and demands. The socialist regime of our country was founded and has been led by patriotic fighters who bravely fought for the fatherland's liberation and independence against outside imperialist invaders.

The great leader [suryong] Comrade Kim Il-song, progenitor of socialist Korea, was a great patriot that history recognizes. The great leader [suryong] Comrade Kim Il-song organized and led the glorious anti-Japanese armed struggle to achieve the fatherland's liberation. Since the liberation, he performed overall democratic reform in the northern half of the Republic to completely eradicate the remains of Japanese imperialism. The great leader [suryongnim] elucidated the creative line of building a people's regime and established it with patriots who loved the country and the nation, including anti-Japanese revolutionary fighters who fought with arms in their hands during the period of the Japanese imperialists' colonial rule.

Our socialist regime is indeed a genuine people's regime, established in conformity with the unanimous will of the Korean people and based on the programs presented by the great leader [suryong] Comrade Kim Il-song; it was built on the very tomb of the Japanese imperialist ruling body that had reigned over the Korean people for nearly half a century. It is also a patriotic regime of national sovereignty that was prompted and has been consolidated and developed by the nationwide struggle of all Koreans against the imperialist aggressive forces and their puppets.

The Republic and the socialist regime established by our people in conformity with the unanimous will of all the Korean people keep the national spirit, display it highly, and practice patriotic lines and policies in all domains of state activities for the nation's present and for its future. The master of the society is the popular masses, and the impetus to its development also lies in the popular masses.

The solidity of a society ultimately depends on how well it reflects the desire and demand of the country's people. A socialist system established by its own guiding idea and in accordance with the people's desire and specific realities of the country is invincible. However, a socialist system established by outside forces will eventually collapse.

Our socialism was built in our own style, based on its guiding idea, the great chuche idea, from the beginning. The chuche idea is a thoroughly independent idea that considers protecting and realizing independence — the life of the country, the nation, and the popular masses — to be a fundamental goal of the revolution, and it demands a ceaseless struggle until the goal is completely achieved.

Because they have the chuche idea as a guideline, our party and people have been able to think with their own brains and solve all problems in a creative way in accordance with the specific realities of our country under any condition. Our socialism is a society where a unique political methodology [toktukhan chongchi pangsik] and economic management system of our own style have been firmly established, and where the superior culture and way of life of our own style have generally been advancing.

Our country has no line or policy set up as a result of the blind imitation of others, nor has it ever depended upon outside forces. Our socialism is a popular masses-oriented socialism which has thoroughly embodied the principles of independence. The socialism of our own style has planted its roots deep in the sun of the nation and the hearts of our people.

When socialism successively collapsed in many countries, the imperialists and reactionaries made a misjudgment, thinking that the aftereffect would affect our country. This was a foolish illusion of those who do not have even a primary knowledge of the chuche-oriented characteristics of socialism of our own style. Just like in the past, socialism of our own style will continue to unchangingly and unyieldingly advance, following the road of independence our people chose, whatever upheaval occurs in the world.

The invincibility of socialism of our own style lies in the rock- firm solidity of the single-hearted unity of the leader [suryong], the party, and the masses. Socialism is unity and unity is socialism. The might of socialism pressing hard on the heels of the enemy lies first, second, and third in the political and ideological unity of the popular masses.

The road our style socialism walked was a course in which it accomplished and endlessly reinforced the most firm unity based on one idea and one center. Whenever trials piled up or enormous tasks were put forth in socialist construction, our people firmly united around the party and leader [suryong], and thus overcame the difficulties facing them. During these days, the trait of single-hearted unity, in which the party and leader [suryong] firmly trust in the people, and the people have absolute trust and follow the party and leader [suryong], was overflowing in our society.

The might of socialism of our own style which is single-heartedly united is being manifested all the more clearly since the fatherly leader's [oboi suryongnim] death. When looking back at the history of the socialist movement, one can easily find occurrences of political upheaval and disturbance and experiences of turns and twists in socialist construction after the death of a leader [yongdoja] of the previous generation. This is because the work to realize political and ideological unity emerged as a basic problem encompassing the destiny and future of socialism, and because the work was not proceeded with.

In our country, a surprising reality basically different from this is now being unfolded. After the fatherly leader's [oboi suryongnim] death, there was no election of a national leadership organ in our country, but a high degree of political stability was guaranteed in all sectors of social life, and all party and state works are proceeding well. This proves to the whole world that our single-hearted unity in which the whole party, the whole army, and all the people are firmly uniting around the great leader [widaehan yongdoja], is by no means empty talk.

Today, our people are upholding the great leader General Kim Chong-il [widaehan yongdoja kimjongil changgunnim] as the pillar of the mind and the sun of life, and they are firmly uniting around the respected and beloved general [kyongaehannun changgunnim] more than ever before. The true appearance of socialism of our own style is for the leader [yongdoja] and people to share ideology and ideas, emotion and sentiment, and fate, joy, and sorrow. Because of this kind of invincible single-hearted unity, our socialism is becoming an invincible socialism that does not waver in the face of any kind of reactionary ideological offensive or military threat by enemies.

As reality shows, our single-hearted unity is a single-hearted unity which becomes more solid when ordeals pile up, and it is an invincible single-hearted unity which becomes all the more consolidated as time flows and the generation of revolution changes. No one can break the might of our single-hearted unity.

Our own style socialism is an invincible socialism that endlessly advances on the basis of the most firm political, military, and economic ground. Socialism advances victoriously by overcoming the storms of history only through its own solid foundation. Socialism without the political, economic, and military might that guarantees the people's destiny is the same as a house of cards built on sand. Today, we have a mighty state sovereignty that majestically exercises the country's political sovereignty, a self- supporting national economy that walks on its own strength, and an invincible self-reliant defense capacity that can repel any intruder.

Thanks to all this, our nation is demonstrating its majestic appearance as a political and military power despite the small size of its territory and population. All of our political, economic, and military grounds have been constructed by our people with our own strength, at the cost of their valuable blood and sweat over a long period. We are highly proud of the political, ideological, economic, and military positions of socialism of our own style, which we have established and hardened by tightening our belts and fighting hard. This powerful foundation prepared by our people guarantees the bright future of socialism of our own style. Thanks to the one-is-a-match- for-a-hundred People's Army, which has been modernized and trained as cadres, and the firm all-nation defense system, our territorial land, air, and sea is always impregnable.

Based on existing economic grounds, we can greatly improve the people's livelihood and generally advance the superiority and might of socialism of our own style. The archrivals of the revolution can never shake socialism of our own style, no matter how viciously they maneuver.

The decisive reason that the socialism of our own style is renowned as invincible socialism lies in the outstanding and seasoned leadership of the great party and the great leader [yongdoja]. The leadership of the party and the leader [suryong] are the lifeline of socialism. History teaches that, no matter how long and powerful the history, traditions, national defense, and economy of a socialist country are, it may collapse in just one day unless it has a seasoned socialist political leader [chidoja].

Our socialism is a prosperous socialism that is ever-victorious under the leadership of the respected and beloved General Kim Chong- il, a great politician and iron-willed sagacious general of our era. The leadership of the great general is great leadership with ironclad will that can turn adversity into advantage, and misfortune into fortune. It is also a people-oriented leadership that depends upon the popular masses and solves all problems by organizing and mobilizing the popular masses.

The bosom of the great leader [yongdoja] Comrade Kim Chong-il, who practices humanitarian and all-embracing policies by considering the slogan "Serving people like heaven" as his motto, is a generous fatherly bosom in which all the people live. Socialism of our own style will march dynamically toward the high peak of the 21st century with greater [word indistinct] under the leadership of the respected and beloved general.

### 2. The social system of South Korea is inevitably doomed, because it is a colonial, subordinated system without the political, military, and economic grounds for its own existence, ridden by outside and nation-selling forces.

The criterion for whether a country is independent lies in whether it is nationally independent, self-reliant, and self- defensive, regardless of its appearance. Although South Korea appears to be an independent nation, it is a typical colony under the U.S. political reign, military control, and economic and cultural servitude. If it were an independent state with a solid political base, its regime should have been established by the popular masses in accordance with their own intent and demands and it should have its own political sovereignty. Nonetheless, the so- called government emerged following 15 August [1945, national liberation] in South Korea. It has been replaced many times, but none of the replacements was established based on the people's desire and intents, nor has any of the regimes exercised its own political sovereignty.

It is a globally known fact that the United States flew the old puppet Syngman Rhee to Seoul from Hawaii by military plane under U.S. military escort, and placed him as the first president. It is well known to the world that when the 19 April [1960] popular uprising occurred, he was ousted and sent back to Hawaii.

The United States was the behind-the- scenes controller of the 16 May coup d'etat by the military villain Pak Chong-hui, and the 12 December military mutiny coup d'etat by the murderer Chon Tu-hwan. It was the United States who put the 29 June democratization declaration in the hands of the military dictator No Tae-u, who was about to be pushed away by the June uprising, and made him president; it was the United States who devised the scenario of the political coup d'etat through a three-party merger for the filthy political profiteer Kim Yong-sam and gave him the title of civilian president.

From the manipulation of political power in South Korea to the scenario of power shifts and the making and changing of presidents, everything was done behind the scenes by the United States. The South Korean regime is a puppet regime manipulated by the United States. It moves according to U.S. instructions. The major internal and foreign policies of South Korea are made and executed in accordance with the demands and interests of the United States.

Exercising the military prerogative and achieving self-defense in national defense is a prerequisite for the existence of an independent country. If a country has an army but does not have the prerogative, it cannot be called an independent country. Today, the prerogative of the so-called Armed Forces in South Korea is in the hands of the commander in chief of the U.S. Forces occupying South Korea.

The puppet regime justifies the U.S. Forces' occupation of South Korea and begs for them to be permanently stationed there, while exploiting the sweat and blood of the people to maintain the large puppet army. However, the army has nothing to do with the nation's interests, and it is mere colonial mercenaries who serve the policy of aggression and war of the U.S. imperialists. The puppet army is mobilized for the beastly suppression of the South Korean people's patriotic struggle to win democratic freedom and the country's reunification, and it is dragged around to play the shield in war of aggression against the just struggles of other countries for national liberation.

Economic self-reliance is the material basis for a country's existence. A nation should achieve economic self-reliance in order to guarantee political independence and achieve the prosperity of the country and the development of the nation. South Korea's economy is totally dependent on foreign forces. The puppet regime actively executed the U.S. colonial and subjugation policy to make South Korea a military accessory, a source of capital, and a market to sell surplus goods.

The puppets begged for aid from the invasive and plundering United States, and introduced foreign monopoly capital on a large scale, making the South Korean economy totally dependent on foreign forces. The South Korean economy depends on other countries for raw material, material, equipment, and other means of production. The sales of products also depends on foreign markets. The South Korean economy is an export-oriented colonial subcontracting economy, a debt economy drowning in a huge amount of foreign debt. The South Korean economy is drowning deep in the swamp of instability, stagnation, confusion, and catastrophe.

The puppet regime adopts a reactionary policy to obliterate national culture in South Korea. The puppet clique spread the typical U.S. life style and foreign culture, obliterating the people's consciousness of independence and making them feeble beings polluted by toadyism, submission, pessimism, and corruption. Our nation's old culture and tradition, good morals and manners have disappeared. The degenerating life style that pursues only money and personal interests is dominating society, making people spiritually crippled animals. South Korea has become a society with dark prospects and no future. The South Korean colonial social system was forced onto the people by foreign forces. It [South Korea] has walked the road of subjugation and downfall.

The South Korean society and regime is bearing a destiny of destruction because it is a nation-selling and antipopular society and regime that represents the interests of a few foreign forces, exploiters, and reactionary officials.

While the Republic's regime is formed of resolute patriotic fighters who devoted everything for the fatherland and people, from the start the South Korean puppet regime was formed of ugly nation-sellers betraying the fatherland and nation and serving the foreign aggressive forces, which is quite the opposite.

The U.S. imperialists that reigned as new colonial rulers in place of the Japanese imperialists since 15 August [1945] in South Korea, put up a sign for the U.S. Military Government Office in place of the Japanese imperialists' government-general and conducted a military administration, thus brutally suppressing South Korea's patriotic democratic forces and establishing the basis for colonial rule by gathering reactionary forces.

The U.S. imperialists illegally had pro-Japanese Koreans, national betrayers, and pro-U.S. reactionaries — whom they had raised over a long period of time in their bosoms — in the 10 May [1948] elections and, thus, formed the Syngman Rhee puppet regime.

As can be seen, the South Korean puppet regime did not liquidate the remnants of Japanese imperialist colonial rule, but rather protected it and rejected all patriotic democratic and nationalist forces. They are a nation-selling group formed of rightist reactionaries along with pro-Japanese and pro-U.S. cat's paws.

The puppet regime left the Japanese imperialists' colonial rule body as it was, and only changed the name. Even a child knows that in the past a nation-selling group made up of human trash who sold the country and nation for their own power and self-interests, from the highest ruling organ to the lowest subordinate ruling organ, cannot carry out patriotic policy for the people. Without exception, the past rulers of the South Korean puppet regime are cat's paws fostered by the imperialists, and are nation- sellers who sold their country and nation to their master. Over the past 50 years in South Korea, the puppet regime was replaced on many occasions, but every time the ugly nation-sellers set foot in the regime in accordance with the scenario of outside forces, and there was no change at all in the constitution of the nation-selling character itself.

Setting aside Syngman Rhee, who was the first president, and viewing the traitor Pak Chong-hui, the ringleader of the Yusin dictatorial regime, the 15 August was [words indistinct] of the Japanese imperialists. After that, he was a very vicious pro-U.S. and pro-Japan nation-selling traitor, changing into a cat's paw and special agent of the U.S. imperialists.

Chon Tu-hwan and No Tae-u, the ringleaders of the Fifth and Sixth Republics' dictatorial military regimes, also received training for specialized warfare in the United States. They were military gangsters and pro-U.S. cat's paws trained at the hands of the United States from a long time ago. They are the nation's butchers who with their own hands made fellow countrymen shed blood.

The traitor Kim Yong-sam, who sits in the position of a puppet regime under the sign board of a civilian government, is a descendant of pro-Japanese traitors who carried out pro-Japanese activities when patriotic forefathers were fighting against the Japanese imperialists. He is also a dirty running dog who, even in his twenties, occupied major seats in the National Assembly and in political parties with living allowances and political funds given by the United States. Thus, he helped maintain and prolong colonial rule. As such, he is an ugly cat's paw.

History shows that the only road for such colonial cat's paws and nation-sellers is to throw them into the garbage can of history. The traitor Syngman Rhee's life ended tragically because he was expelled overseas and died there. Pak Chong-hui was killed by a gun wielded by his trusted subordinate and died an ignominious death. The traitors Chon Tu-hwan and No Tae-u, the Kwangju killers, are handcuffed, eating prison food, and awaiting the day they will go to their graves. Their circumstances have become pathetic. The fate of the traitor Kim Yong-sam, who makes it a business to carry out nation-selling acts in South Korea, is no different.

If our socialism is a society centered on the popular masses and rooted in the broad working popular masses, South Korea's society is an anti-people society based on the minimum number of exploiting rascals and nations-sellers. The popular masses, including workers and farmers, are the main body of history and the driving force in society's development.

The working masses are basic masses who make up an absolute majority of people and who support a society and make it move. Any society or nation is unthinkable apart from them. Therefore, only a society or regime that absolutely defends the interests of the working masses can truly defend those of the country and nation, and only such a society or regime can win support from the people and be ever-victorious and invincible because of their patriotic and independent nature.

To the contrary, a society or regime that oppresses an absolute majority of people in favor of the interests of reactionary exploiters, who are an absolute minority, cannot defend the interest of the people and the nation.

In a country that is under aggression from the imperialists, such a regime is reduced to a treacherous regime that yields to outside aggressors; sells out the interests of the country and nation; and, eventually, is condemned, denounced, and rejected by the popular masses and ruined.

The antipopular nature of the South Korean society and regime is shown by their reactionary and antipopular policies. The South Korean rulers are mere puppets who have no political philosophy or ideology and are wire-pulled by outside forces. All the so-called policies espoused by the South Korean regime are aimed at plundering and exploiting people to guarantee the colonial rulers and their lackeys easy and comfortable lives. As a result, the South Korean society is a society that exists for outside forces and their lackeys, as well as a living hell to the popular masses.

Under this system, reactionary bureaucrats and exploiters, an absolute minority, monopolize power and social assets and enjoy wealth and luxury. The working masses, an absolute majority, are deprived of all their freedoms and rights, and moan about poverty and the lack of rights.

The exploiters, a minority, monopolize plants and enterprises, land, and other important means of production, which are reduced to means to exploit the workers; production is carried out for the exploiters to amass fortunes. Products which are the results of the blood and sweat of the workers and peasants are not used for their welfare and social prosperity, but are wasted for the consumption of the privileged and the exploiters, a minority.

The puppet regime positively guarantees the fortunes of the reactionary bureaucrats and exploiters, and carries out harsh exploitative policies toward the working masses. The puppet regime not only bestially suppresses South Korean people who wage the struggle against exploitation and oppression, but is a major exploiter itself. To guarantee the exploiters' fortunes, the puppet regime imposes slave wages on workers, heightens prices and public utility charges, and levies massive taxes.

Today in South Korea, workers, peasants, intellectuals, poor urbanites, and masses from all other walks of life are suffering from serious hardships and are shrouded with extreme uneasiness, without any hope for the future, because of exploitation by outside forces, by the puppet regime, by foreign monopolistic capitalists and comprador capitalists, and by landowners.

In South Korea, the working masses, an absolute majority, are growing poorer. However, a handful of reactionary bureaucrats and exploiters are growing richer. This polarization, in which the rich become richer and the poor become poorer, worsens as time goes by. All of this is the root cause that divides people and makes them confront themselves.

A bipolar confrontation prevails between reactionary rulers, an absolute minority, on one side and the working masses, an absolute majority, on the other; conflicts between them are basic in social relations. As a result, the society and the regime are being dragged into an inescapable hole of ruin.

Irregularities and corruption are structural evils in South Korean society. South Korean society is a corrupt and sick society that is on the way to ruin. The puppet regime is positively defending the interests of comprador capitalists and landowners as well as providing them with all special benefits by maintaining the colonial social and economic system in South Korea.

Under the protection of the puppet clique, the comprador capitalists and landlords are enjoying various benefits and financial favors, and are free to commit tax evasion, bribery, fraud, and speculative investments. The reactionary officials plunder the people's properties to feed their stomachs.

In general, ties between power and money, and between business and politics, have been a structural defect in capitalist societies. In South Korea, which is a half-paralyzed quasi-capitalist colonial society, such ties have been of the typical governing pattern. Power provides favors to companies, and companies pay them back. Power amasses secret funds with this black money, and uses the funds to maintain power and accumulate wealth.

In the process of such a vicious circle, a chain of corruption is formed by a combination of power, money, and plots. On top of the chain stands the puppet president.

Corruption and irregularities have grown more serious among the South Korean ruling circles, becoming the official morality and practice. In South Korea, political activities do not mean the implementation of any ideology or popular demand, but a dog fight for personal political ambition and wealth.

As disclosed by the unprecedented secret funds incident that surprised the world, the corruption of the puppet regime has reached its peak. Everyone in the ruling circle occupying the seats of power is corrupt. The people cannot trust any of them. Former presidents are imprisoned for their amassment of secret funds in amounts that are beyond imagination. The incumbent president is also corrupt, facing the destiny of being thrown into the trash can of history. Thieves dominate the puppet national assembly, as well as the puppet administrative and judicial departments and the military. This stinking social system obviously cannot last long. The flames kindled by this collapsing society blaze all the way to Chongwadae [presidential offices], the nest of the thieves' boss.

The reality clearly shows which of the two systems established in the North and South pursues the interests of the country and the nation, and which system goes against them. Our socialism brings true freedom and happiness to the people of the northern half, and hope and confidence to the South Koreans and overseas compatriots, firmly guaranteeing the reunification and independence of our fatherland as well as the boundless prosperity of the nation.

Our patriotic and people-oriented socialist system truly represents and defends the interests of our nation and the Korean people. It is apparent that the socialist system will provide a bright future for our people and the Korean nation.

Our Republic was and is victorious, and will be more victorious thanks to the most solid socialism of our own style and the strength of single-hearted unity.

Through experience over the past 50 years, the South Korean people have deeply understood that the colonial subordinative social system in South Korea cannot represent and defend their interests. Their complaints are growing. They call for new politics, a new system, and new life; they struggle harder to achieve them.

The nation-selling and anti-popular social system and regime in South Korea is forcing intolerable misery and pain on the South Korean people, and inflicting national calamity on all Koreans. The system is a cancer to the reunification and independence of the country, and to the prosperity and development of the nation.

The corrupt and reactionary South Korean social system and regime is cursed and denounced by the popular masses. The system will be staunchly punished by history and the people, and will not be able to evade a humiliating end.

## South Korea

### ROK: KEDO Tentatively Names Duke Engineering as Tech Consultant

*SK1208021196 Seoul YONHAP in English 0141 GMT 12 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 11 (YONHAP) — The Korean Peninsula Energy Development Organization (KEDO) has tentatively selected Duke Engineering as its technical support consultant (TSC) for the light-water reactor project in North Korea, a KEDO official said Sunday.

Duke Engineering will provide technical inspection support for expenses, design, and construction of the two reactors, the official said, adding that KEDO is currently going over the original conditions of the nuclear contract with North Korea.

Established in 1982 as a subsidiary of North Carolina-based electric power company Duke Power, the U.S. company is specialized in design and operations of power plants.

The American company was originally designated as a "program coordinator" to be in charge of overall inspections, but its title and the area of its responsibility have been readjusted reportedly due to South Korean exports' fear that the characteristics of South Korean reactor model would be shunned from the projected nuclear reactors.

"An understanding among South Korea, the United States and Japan has it that TSC's requests any design or construction changes shall be made through KEDO but not directly to the Korea Electric Power corp, the prime contractor," he said. "In the future, the TSC will play the role of a window in North Korea that will technically guarantee the light-water reactors to be built in North Korea," he added.

### ROK-DPRK Negotiations on Light-Water Reactors Viewed

*SK1308114396 Seoul HANGYORE SINMUN in Korean 12 Aug 96 p 6*

[Article by reporter Pak Chan-su]

[FBIS Translated Text] The Korean Peninsula Energy Development Organization [KEDO] and North Korea will hold a second round of follow-up negotiations in New York to discuss the light-water reactor project.

The negotiations are a continuation of the negotiations held at Mt. Myohyang, North Korea, for 10 days beginning 20 July. The two sides discussed North Korea's transfer of the site for the light- water reactors and its provision of services. Since the two sides have already signed three protocols on the privileges for the project's workers, on consular protection, and on communications and travel, if they conclude the negotiations on the two aforementioned areas, a legal basis will be provided to begin the light-water reactor project.

The two sides reportedly made significant progress at the Mt. Myohyang negotiations in the transfer of the site. An ROK Government official said: "The two sides have generally agreed on the size of the site in Sinpo, South Hamgyong Province, as well as its location." However, as regards how North Korea will transfer the site, KEDO has reportedly insisted North Korea transfer the entire site, while North Korea insisted on a gradual transfer.

Environmental concerns the light-water reactor site are also an obstacle. North Korea stated it would take part in the construction work to a certain extent in order to prevent the damage of natural resources in the course of construction, while KEDO tried to stipulate in the pertinent protocol that it shall have authority over all activities inside the site without any North Korea intervention.

At present, more disputes remain concerning North Korea's provision of services than concerning the site.

KEDO and North Korea agreed in principle at the Mt. Myohyang negotiations that the two sides will run their own conveniences at the site. However, their views differ greatly on the wages for North Korean workers. KEDO insists North Korean workers should earn the same wage as workers in the Najin-Sonbong region, while North Korea demands much higher wages.

An ROK Government official said: "It will not be difficult for the two sides to reach an agreement because North Korea has a strong desire to get the work started, even though their views differ on a few issues." He predicted: "Construction will begin in September or October at the earliest."

### ROK: Rep. Choe Hyong-u Leaves for U.S. Republican Convention

*SK0908041696 Seoul THE KOREA TIMES in English 9 Aug 96 p 2*

[FBIS Transcribed Text] Rep. Choe Hyong-u of the ruling New Korea Party is leaving for the United States today to attend the Republican convention in San Diego at the invitation of presidential candidate Robert Dole.

With Dole, Rep. Choe will ride in the stumping train, Victory Express, tomorrow, on the eve of the Republican convention to the convention site. Dole's invitation to Rep. Choe, one of the presidential hopefuls of the NKP, is the second following one last year.

### ROK-U.S. Criminal Investigation Treaty Takes Effect 1 Sep

*SK0908124596 Seoul YONHAP in English 1205 GMT 9 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — A Korea-U.S. treaty on mutual assistance in the investigation of criminals goes into force on Sept. 1, enabling, for instance, Korean investigators to investigate in the United States those Korean criminals who have escaped to America.

A Justice Ministry official said Friday the U.S. Senate on last Monday ratified the law which was signed by the two governments in November 1993.

The National Assembly ratified it as early as December 1993.

Under the law, either signatory country has the obligation to take required steps if asked by the other in the investigation of criminal escapees.

A prosecution figure shows that a total of 925 criminals have fled the country, 459 of them to the United States.

### ROK Employee at U.S. Embassy Arrested for Visa Fraud

*SK1108135996 Seoul MBC Television Network in Korean 1230 GMT 11 Aug 96*

[FBIS Translated Text] On 11 August, the South District Branch of the Seoul District Prosecutor's Office arrested Son Yong-su, an employee in the nonimmigrant visa section of the U.S. Embassy, and visa broker Kim U-yang, on charges of forging private documents.

Mrs. Son, in league with Mr. Kim, are suspected of accepting between 5 to 10 million won per person from some 100 students who were hoping to study in the United States, and of forging documents for U.S. visa applications, thus helping the students to receive visas.

### ROK: U.S. Lawyer 'Suspected' of Visa Fraud Involvement

*SK1308083196 Seoul YONHAP in English 0721 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — The Seoul District Prosecutor's Office plans to summon an American lawyer to question about his suspected role in falsifying some visa application documents at the U.S. Embassy in Seoul, informed sources said Tuesday.

The American lawyer, 40, identified only as "H," is suspected of conspiring to falsify visa applications along with a Korean broker in his bid to help Korean students and others who had been deported by the U.S. Government for carrying invalid visas regain legitimate visas, the sources said.

In May last year, the U.S. State Department discovered about 200 cases of forgery in its examination of all visa applications filed with the U.S. Embassy over the previous 12 months.

### ROK: U.S. Lawyer Suspected of 'Conspiring' With Brokers

*SK1308101996 Seoul MUNHWA ILBO in Korean 13 Aug 96 p 31*

[Report by reporter [illegible] Ui-tong]

[FBIS Translated Text] On 13 August, the Fourth Detective Department of the Southern Branch Office of the Seoul District Prosecutor's Office (superintendent public prosecutor: Chu Song- won), which is investigating the illegal issuance of student visas, partly confirmed that an American lawyer is involved in this incident, for which he received an enormous commission. The prosecutor's office is expanding its investigation, and plans to summon and investigate the relevant lawyer.

This is the first time such an incident has been exposed in which American lawyers came to the ROK and became involved in illegal issuance of visas by conspiring with Korean brokers.

The Prosecutor's Office summoned and is investigating a certain American lawyer on charges of violating the Immigration Control Law, stating he was introduced by Korean brokers to students studying in America whose visas had become invalid, receiving $7,000-10,000 (about 5.6 million won-8 million won) per person in commissions in return for acquiring legitimate visas through the U.S. Embassy.

As a result of the investigation by the Prosecutor's Office, it was revealed that students studying in America involved in this incident, and who received visas through this American lawyer, were those whose visas were forged, meaning they were forcibly expelled by the U.S. State Department for carrying invalid visas and are not eligible to return to the United States.

In this connection, when it was revealed that visa applications were forged at the U.S. Embassy in May 1995, the U.S. State Department carried out a special inspection of visa applications filed for one year, beginning from May 1994, and uncovered 200 cases of forged visa applications.

The American lawyer who was investigated by the Prosecutor's Office claims: "I received a fair and square commission, and I carried out work only to regain legitimate visas that were denied by the U.S. Embassy."

However, the Prosecutor's Office confirmed that such activities have no connection at all with the stated purpose of his visit, and thus are investigating him on charges of violating the Immigration Control Law.

According to the current Immigration Control Law, if an alien staying in the ROK carries out activities that are different from his original purpose, he must receive permission from the justice minister in advance.

### ROK: Prosecution Decides To Investigate U.S. Lawyer

*SK1308051396 Seoul KBS-1 Radio Network in Korean 0300 GMT 13 Aug 96*

[FBIS Translated Text] The prosecution has expanded its investigation of the illegal issuance of student visas.

Today, the Southern Branch Office of the Seoul District Prosecutor's Office detained Chong Nam-hwan, a 40-year-old head of the Kukche Study-Abroad Agency, for arranging the issuance of visas after receiving money from parents of the students who had been denied U.S. visas.

From May 1994 until May 1995, Chong received 8 million won per person from some 200 parents of the students who had been denied visas. He, then, asked visa broker Kim Yu-yang to help get visas for them.

The prosecution has decided to investigate tomorrow a U.S. lawyer and embassies of other countries where many Korean students are studying. The lawyer is suspected of receiving money in return for arranging the issuance of visas for the people who had once been denied visas.

### ROK: Big Firms Said Trying To Win Chrysler Dealership Rights

*SK0908073596 Seoul YONHAP in English 0559 GMT 9 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — Chrysler has set up a 100-percent owned locally-incorporated automobile sales firm in Korea and is in the process of selecting its dealers.

The U.S. auto giant invested 2 billion won (2.5 million U.S. Dollars) in Chrysler Korea Sales Co. Aug. 6, and has appointed attorney Yi Mun-song as its interim president until a new president is formally appointed by the Chrysler head office in Detroit, Chrysler Korea said Friday.

Chrysler plans to complete the selection of dealers by the end of this month, and a number of large Korean corporations, including Halla group and Doosan group, have been trying to win the dealership from the U.S. auto firm.

Chrysler and its current agent Woosung Distribution Co. have parted since the U.S. auto firm decided to pursue independent operations in Korea.

Chrysler won the biggest share of the imported auto market last year, and the company also did well between January and July this year, selling 1,187 cars or some 20 percent of all foreign cars sold in South Korea.

### ROK: Telecom Industry 'Hard Hit' by U.S. Imports

*SK0808085496 Seoul THE KOREA ECONOMIC WEEKLY in English 12 Aug 96 p 18*

[FBIS Transcribed Text] Korea's communications equipment industry has been hard hit by rising imports of telecom equipment from the United States, industry sources said.

Imports from the United States of telecom equipment such as digital mobile telephone sets, personal computer systems and others have sharply risen so far this year, the sources said.

The drastic rise in imports from the United States, nearly three times over Korea's exports to the United States, has hindered the growth of Korea's communications equipment industry, the sources said.

Imports of communications equipment from the United States during the first five months of this year amounted to $575 million, while imports from the United States reached $172 million, according to the latest statistics compiled by the Information-Communication Ministry and the Korean Customs Service. The five-month imports reflected an increase of more than 20 percent over a year earlier, while the five-month exports represented a decrease of about 50 percent from a year before.

As a result, Korea's trade deficit with the United States in this segment stood at $402 million, up 80.7 percent from the $223 million deficit registered for all of 1995.

### ROK, U.S. in Telecom Dispute Over 'Prepaid Calling Cards'

*SK1308035396 Seoul THE KOREA HERALD in English 13 Aug 96 p 8*

[Unattributed report: "U.S. Prepaid Calling Cards Spur Telecom Market Feud]

[FBIS Transcribed Text] In the wake of the United States' designation last month of Korea as a priority foreign country (PFC) in the bilateral telecom-market opening negotiations, the two countries are again clashing in the international-call service market.

"Prepaid calling cards" are at the center of the fresh U.S.-Korean telecom dispute.

The controversial U.S. prepaid calling cards, which offer highly discounted service rates ranging from 20 percent to 50 percent, are rapidly drawing popularity among cost-conscious international callers here.

But local international service carriers like Korea Telecom (KT) are insisting that U.S. calling card companies are illegally attempting to enter Korea's international call market.

Setting their sights on both foreigners in Korea and Korean overseas travelers, about 10 U.S. companies are actively marketing their international calling cards through local agencies.

The prepaid calling cards are similar to the existing payphone cards in that service charges are deducted every time they are used.

A Seoul man who buys a U.S. calling card, for instance, can use KT's payphones to make international calls to U.S. cities. But he is charged by the issuer of the U.S. calling card, suggesting that a significant portion of local international-call market has been infiltrated by foreign operators.

Sharp Tour, which signed a dealership contract with AT&T, is selling an AT&T calling card for 24,000 won per 50 units.

Actel's calling cards, sold by ACT Korea, retail for 16,200 won per 50 unit. Particularly because of sharply discounted service rates, the prepaid calling cards are becoming increasingly popular here. In addition, most of the existing U.S. call-back service companies are also concentrating on the marketing of their own calling cards lately.

KT and Dacom are taking issue with alleged instances of tax-evasions on the part of the U.S. card companies.

"In an apparent move to dodge operational taxes, all of the U.S. card companies still remain unregistered with the Korean authorities," said a KT executive.

"What is worse, the U.S. card companies are expanding their sales networks through so-called pyramid marketing, creating considerable disorder in the international-call market," he said.

The calling cards are a major tool in the so-called "reverse billing market," in which telecom companies compete hard to secure overseas-to-home calls as their revenue sources.

Korea's potential reverse billing market, which comprises 5 million Korean overseas travelers, 5.3 million overseas Koreans, and 4 million foreigners visiting or staying in Korea, is estimated at 359 billion won annually.

In a bid to more effectively defend its share in the reverse billing market, KT is planning to upgrade its international intellectual switching system and strengthen marketing of its own international calling cards.

### ROK Red Cross President Proposes Holding S-N Meeting 'Soon'

*SK1208051696 Seoul YONHAP in English*
*0502 GMT 12 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 12 (YONHAP) — The Korean National Red Cross (KNRC) proposed Monday a meeting with its North Korean counterpart as soon as possible involving their presidents or vice presidents anywhere and without preconditions.

"To resolve the problem of dispersed families, a South-North Red Cross conference must be pursued despite political and military problems; furthermore, changes in outside forces or conditions should not affect the talks," KNRC President Kang Yong-hun told reporters at the Seoul Press Center.

He was speaking on the occasion of the 25th anniversary of his organization's proposal for the inter-Korean reunion of separated families.

"There is no reason why the dispersed family issue cannot be pushed for further and time is running out," he asserted.

"At minimum for this year, all dispersed families should be allowed to exchange information on separated family members so that we can get a clue to solving the problem."

The KNRC has sent 1.18 billion won worth of flour, cooking oil and dry milk for North Korean flood victims on seven occasions since last year, he pointed out.

"If the Red Cross organizations of both the South and North cooperate, the task of alleviating the sufferings of our North Korean brothers can be solved and can progress much more easily."

"The Red Cross organizations of the South and North have numerous problems to deal with, including the dispersed families issue and natural disaster relief efforts, through mutual assistance based on humanitarian principles and brotherhood," Kang declared. He then proposed a joint meeting to be held anywhere and without prerequisites as soon as possible to discuss such issues.

### ROK: Officials Sent to Panmunjom To Accept Body From DPRK

*SK1208025496 Seoul YONHAP in English*
*0230 GMT 12 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 12 (YONHAP) — South Korea sent officials to the truce village of Panmunjom Monday morning to receive the remains of a South Korean man found on the northwestern coast from North Korea.

Pyongyang proposed through its central broadcasting station over the weekend to repatriate the remains of the South Korean, identified as Kang Tae-hui, 31, Yangjae-dong, Socho-ku, Seoul, through Panmunjom Monday following a contact between liaison officers.

"We've decided to accept the North Korean proposal since Kim was confirmed to have left his home last August," a National Unification Ministry official said. "A group of officials from the National Unification Ministry and the Korean National Red Cross has been sent to Panmunjom."

It will be the second time the South has received the remains of a South Korean from the North. In the first instance, the South received the remains of three crewmen of the fishing boat Usong-ho last December.

South Korea returned the remains of four North Koreans found drifting in its rivers through Panmunjom last week following severe floods that hit both the North and South in late July.

## ROK: Red Cross Receives South Korean's Remains From DPRK

*SK1208124496 Seoul YONHAP in English
1155 GMT 12 Aug 96*

[FBIS Transcribed Text] Panmunjom, Aug. 12 (YONHAP) — The Korean National Red Cross (KNRC) received the remains of a South Korean citizen identified as Kang Tae-hui, 31, found drifting to the western coast of North Korea last Friday, from its North Korean counterpart here at the truce village Monday afternoon.

The remains were immediately carried by an ambulance to the KNRC hospital in Seoul and will be handed over to his family after due procedure.

Kang was known to have left his home in Yangjae-tong, Socho-ku, Seoul, in August last year.

## ROK: DPRK Promises To Return ROK Novelist 'in Due Course'

*SK1308082696 Seoul YONHAP in English
0818 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — North Korea said Tuesday it will return South Korean novelist Kim Ha-ki, 38, who went to the communist country while intoxicated July 31, in "due course."

North Korea made the notification in a telephone message through the hot line installed between South and North Korean Red Cross societies at the truce village of Panmunjom.

North Korea did not, however, elaborate on the details of when and how Kim will be returned, an official at the National Unification Ministry said.

The telephone message was sent to Kang Yong-hun, president of the Korean National Red Cross, by his North Korea counterpart Yi Song-ho.

Yi said in the message that investigators have proven that the novelist, who crossed the North Korean border illegally, committed a very serious crime, adding, "in consideration of his frank confession, we have decided to return him in due course from a brotherly and humanitarian standpoint."

The novelist, whose real name is Kim Yong, has been missing since July 30 after drinking with his brother at a North Korean restaurant in Yanbian, China, near the North Korean border.

In its Central News Agency report on Aug. 5, North Korea disclosed that Kim was being held and investigated on charges of his intruding into North Korean territory.

## ROK: Kim Yong-sam Stresses 'Vigilance' Against DPRK Movements

*SK1308033196 Seoul YONHAP in English
0239 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — President Kim Yong-sam, deploring the fact that some people have become oblivious of the nation's security situation, stressed Tuesday the need for a vigilance against the possibility of unexpected movement by North Korea.

He made the remarks at a briefing session on how the annual Ulchi-Focus Lens exercise is being prepared which he himself chaired at Chongwadae [presidential offices].

The first meeting of its kind that President Kim has ever presided over since his inauguration in 1993 was attended by Prime Minister Yi Su-song and all cabinet ministers, provincial governors and metropolitan city mayors, representatives of the legislature and the judiciary, Joint Chiefs of Staff Chairman Gen. Kim Tong-chin and the three chiefs of staff from the Armed Forces, including Army Chief of Staff Gen. Yun Yong-nam.

To prevent another war on the Korean peninsula, the nation must increase its strength on the one hand and create a fool-proof warning system and prepare for every emergency on the other hand, the president said.

He exhorted local government heads to increase the preparedness of their areas for every emergency through the exercise.

The Ulchi-Focus Lens exercise will be conducted Aug. 19-23 across the nation.

## ROK Defense Ministry Warns Against Provocation by DPRK

*SK1308142596 Seoul KBS-1 Television Network
in Korean 1225 GMT 13 Aug 96*

[Report by reporter Yi Chun-hui]

[FBIS Translated Text] In a meeting of major military commanders held today, the Ministry of National Defense analyzed that the North Korean food crisis has reached a serious enough level to influence army units. A military official said the daily food ration for each soldier, which the North Korean authorities desperately tried to maintain despite the extremely worsening food situation, has been reduced from 800 grams to 600 grams. Believing that as tensions heighten within the North Korean military due to food shortages, the probability will become greater than ever that North Korea may commit a provocation, such as localized warfare or terrorism, the commanders present at the meeting decided to make thorough preparations against this.

The Ministry of National Defense has also ordered a thorough management of each military unit to prevent the repeat of a series of recent incidents resulting from disorder in military discipline, including a bank robbery committed by a sergeant first class on active duty, incidents which have greatly disappointed the people.

[Begin Defense Minister Yi Yang-ho recording] I ask you to (?undertake) specific measures for our military to successfully carry out the assigned duties under the guarantee of personal safety, and to actively implement the measures under the responsibility of each commander. [end Yi recording]

In particular, the Ministry of National Defense directed army units stricken by the recent torrential rains to repair barracks and barrack facilities before winter arrives, as well as to restore border facilities such as iron fences whose repair requires great expenses, using the budget allocated for improving national defense ability so as to remain highly alert.

### ROK 'Willing' To Give DPRK More Aid With Proof of Damage

*SK0808033896 (Internet) The Joong-Ang Ilbo WWW in English 8 Aug 96*

[FBIS Transcribed Text] South Korea is willing to provide additional food aid to North Korea on humanitarian grounds if the seriousness of the damage suffered by the North in the recent torrential downpours is confirmed by international agencies, a government official said Tuesday. A Foreign Ministry official stated, "it is the consistent position of South Korea, the United States and Japan that humanitarian aids for North Korea through international agencies can take place whenever necessary, regardless of political issues such as the proposed 4-way talks."

### ROK: Extent of Flood Damage in North Korea Analyzed

*SK1308113396 Seoul CHOSON ILBO in Korean 12 Aug 96 p 9*

[Article by reporter Kim Yon-kwang on North Korea's flood damage: "North Korea's SOS"]

[FBIS Translated Text] The heavy rainfall in North Korea last July has left North Korea suffering from weather disasters for four consecutive years, and has reportedly delivered a fateful blow to the North Korean economy, which is known to be almost insolvent. On 7 August, after much speculation on the scale of North Korea's flood damage caused by the recent heavy rainfall, North Korea's Ministry of Foreign Affairs, requesting assistance from the international community, announced the flood damage was estimated at $17 billion.

Last year, North Korea avoided revealing the scale of its flood damage at first, which was why the World Food Programme [WFP] and the UN Food and Agricultural Organization [FAO] released their "Report on North Korean Flood Damage" last May. When assistance from international organizations to alleviate the flood damage was underway, North Korea refused to receive the assistance under the pretext of "the military's objection," revealing a two-faced attitude.

However, this year the North Korean authorities quickly appealed to the international community for assistance. This shows that North Korea's food and economic situation is extremely serious.

Nevertheless, as of July, the amount of money collected for North Korea during the second round of fund raising, which is now underway by the United Nations, totals only $13 million, 40 percent of its target of $43 million. Accordingly, the international community's assistance will not be greatly conducive to rehabilitating North Korea's flood damage.

Under such circumstances, it is anticipated North Korea will make every possible effort to receive rice aid from the ROK, the United States, and Japan under the condition that it participate in "the explanatory meeting of the four-way talks" and attempts to create circumstances favorable to resuming the North Korea-Japan normalization talks.

The ROK Government is now thoroughly examining North Korea's flood damage through meteorological data obtained from the World Meteorological Organization [WMO] and aerial photographs of North Korea.

Analysis of the meteorological data from six meteorological stations located in the flood-hit areas of North Korea has confirmed that heavy torrential rains fell on the broad area from Nampo on the west coast to Sepo County in Kangwon Province, and that because of this torrential rain, the flood damage in this area was more serious than any other flood-hit regions in North Korea.

The government estimates the flood damage of $17 billion, as announced by North Korea, to be accurate.

A government official has said: "The flood damage in North Korea was caused by the destruction of its agricultural infrastructure, including the devastation of forests and the irrigation system, and the shortage of agricultural chemicals." He added: "Considering North

Korea's export and import volume last year was $2 billion, we can presume the damage caused by the current heavy rainfall is indeed a shock to the North Korean economy."

### ROK: DPRK 'Unofficially Sounded Out' About Joining IMF

*SK0808075596 Seoul YONHAP in English 0606 GMT 8 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 8 (YONHAP) — North Korea is reportedly trying to join the International Monetary Fund (IMF).

A visiting IMF official, in Seoul to inspect the situation of the Korean economy and make policy recommendations, said Thursday that as far as he knows, Pyongyang has recently and unofficially sounded out the possibility of joining the Washington-based IMF.

The North's hope to join the international organization is directed at receiving various assistance from the IMF and the World Bank, the official explained, adding that surveys on the North Korean economy must be conducted before the socialist country's admission to the IMF.

It will take a considerable amount of time for the Stalinist nation to decide whether to join IMF since they are reluctant to open their country, the official predicted. He said there will not be any special obstacles to the North's entry.

### ROK Daily Views Development of North Korea's Civil Aviation

*SK1308112996 Seoul HANGYORE SINMUN in Korean 12 Aug 96 p 6*

[Report by reporter Kang Tae-ho]

[FBIS Translated Text] Since North Korea has recently opened its territorial airspace to the world's civilian aircraft, the development and general reorganization of North Korea's civil aviation is expected. As agreed upon in a transportation agreement concluded in relation to the project to construct light-water reactors in Sinpo, Pyongyang will open a new air route between Beijing and Sondok, which is located near Sinpo, and will open more efficacious and economic sea and air routes; this is expected to contribute to accelerating the prospective changes in North Korea's civil aviation.

North Korea's moves to open its airspace is closely linked with the establishment of the Najin-Sonbong Free Trade Zone, its policy to attract foreign tourists, and all its other policies for economic cooperation with foreign countries, which were established based on the changed international situation represented by improvements in North Korea's relations with the United States and Japan following the end of the Cold War. For example, North Korea signed an aviation agreement with Japan in January 1992, and another with Thailand in March 1993. In particular, the North Korea-Japan aviation agreement allowed 80 chartered planes to fly between Pyongyang and Nagoya, and between Pyongyang and Nigata, which has greatly contributed to air transportation of North Korea's natural song-i mushrooms, whose exports account for the largest portion of all exports from North Korea to Japan.

In addition, North Korea's policy to induce foreign tourists, which was not successfully implemented due to the nuclear issue, has been visualized again as of late. According to an advertisement for tourist groups put out by Japan's Chungoe [transliterated] Tour Company in the pro-North Korean paper CHOSON SINBO, a total of 14 chartered planes from Koryo Airline are to fly between Nagoya and Pyongyang between April and November; among them, as many as nine planes will pass through the PRC. North Korea has also been accelerating railway construction between Wonsan and Mt. Kumgang, and has promoted the opening of the military airport in Wonsan to civil aircraft for a long time. In light of these facts, it is highly likely North Korea's tourist industry, using the chartered airliners of foreign countries, will become active.

The internationalization and opening of North Korea's aviation is also reflected by the conclusion of a North Korea-Switzerland agreement on opening an air route, which was signed in June, and by the commission of chartered planes in service between Pyongyang and Taiwan in April to carry tourists to the Pyongyang festival.

Of course, North Korea's air transportation has been sustained within an extremely limited range. This is fully understandable due to the fact that the DPRK General Bureau of Civil Aviation, which is in charge of operating all passenger airliners, is subordinate to the Air Force under the Ministry of People's Armed Forces.

Air transportation was insignificant to all other transportation in North Korea. This is proven by the fact that North Korea has a single domestic air route between Sunan and Chongjin.

Meanwhile, railway transportation is an absolute means of transportation in North Korea, accounting for 86 percent of all material transportation, and for 62 percent of all commuters. The North Korean transportation system has developed with railways as the main method, and with roads, rivers, and sea routes as the secondary method.

Experts predict that if Air Force resources can be used for civil purposes, and if the concept of service can be introduced, then securing aviation manpower will be easier than in other transportation areas.

### ROK: Two ROK Student Activists Arrive in Pyongyang

*SK1008080296 Seoul YONHAP in English 0756 GMT 10 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 10 (YONHAP) — Two South Korean student activists arrived in Pyongyang around 2 PM Saturday to attend meetings sponsored by the North's National Alliance of Youth and Students for the Country's Unification (Pomchonghangnyon), the Korean Federation of University Student Councils (Hanchongnyon) reported.

The two — Yu Se-tong, 25, a senior at the Choson University Dental College, and To Chong-hwa, 22, a senior at the Yonsei University Engineering College — were originally to fly to Pyongyang from Berlin Friday.

"Since government intelligence agents, accompanied by To's parents, attempted to block the two students from boarding a plane in Berlin Thursday, the duo traveled to Moscow by train, where they boarded a Pyongyang-bound plane," Hanchongnyon said.

The two students, after attending Pomchonghangnyon central committee meetings in Pyongyang Sunday and Monday, will attempt to return home through the Panmunjom village of Panmunjom Tuesday, according to the Korean Federation of University Student Councils.

They will make the attempt "to participate in the Pomchanghangnyon unification festival to be held at Yonsei University Tuesday through Thursday together with North Korean representatives," Hanchongnyon said.

"Whatever suppression, we will hold the unification festival at Yonsei University," the federation added.

### ROK: Hanchongnyon Students Plan To Return via Panmunjom

*SK1208080396 Seoul KBS-1 Radio Network in Korean 0700 GMT 12 Aug 96*

[FBIS Translated Text] The Korean Federation of General Student Councils [Hanchongnyon] held a news conference at the Yonsei University Student Hall today to announce that the two Hanchongnyon delegates, including Mr. Yu Se-hong, who were dispatched to North Korea to convey a letter of invitation to the North's delegation, will return through Panmunjom around 1300 [0400 GMT] on 13 August along with some 300 delegates from North Korea and overseas.

Hanchongnyon requested the utmost cooperation so that the group of delegates may come to the South, and said it will dispatch a welcoming group of some 100 to Panmunjom on 13 August to greet the delegates from the North.

Hanchongnyon is planning to deliver to the U.S. Embassy in Seoul some 34,000 forms for participating in the signature campaign it has conducted since 22 July, which calls for signing a peace agreement to replace the Armistice Agreement.

### ROK: Warrants Issued for Hanchongnyon Students Visiting DPRK

*SK1208124196 Seoul YONHAP in English 1236 GMT 12 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 12 (YONHAP) — The Agency for National Security Planning [NSP] was issued Monday arrest warrants for two student activists on charges of violating the National Security Law.

Yu Se-hong, 25, senior of Choson University in Kwangju, and To Chong-hwa, 22, senior of Yonsei University in Seoul, visited North Korea as representatives of the Alliance of (South) Korean University Student Councils, or Hanchongnyon, Sunday in violation of the law.

The two students are known to return to Seoul through the truce village of Panmunjom Tuesday afternoon, along with some 100 overseas Korean students, to attend "the great unification festival of the national alliance of youths and students for the fatherland's unification," or Pomchonghangnyon, to be held in Yonsei University Tuesday through Thursday.

The agency will arrest the two students as soon as they cross the borderline in the truce village.

### ROK: Students Clash With Riot Police at Yonsei University

*SK1308052196 Seoul THE KOREA HERALD in English 13 Aug 96 p 3*

[FBIS Transcribed Text] Some 500 university students, protesting against the government's bid to blockade a three-day unification festival, clashed with riot police at the entrance of Yonsei University yesterday, leaving about 70 people from both sides injured.

The students belonging to Hanchongnyon, the National Federation of Student Councils, started the demonstration at 11:30 a.m. and clashed with 2,500 riot policemen that sealed off the campus in Sinchon, western Seoul.

The protest lasted three hours, crippling the traffic in and around Sinchon. Riot police fired tear gas to disperse students who hurled stones and Molotov cocktails in an attempt to storm out of the campus.

O Sung-chun, a Dong-A University student, sustained a broken rib when he was directly hit by a tear gas bomb. A riot policeman, identified as No Hyon, suffered serious burns all over his body when he was assaulted by a flying Molotov cocktail, believed to be thrown by a student

"Two colleagues on a three-day visit to Pyongyang, are coming back to Seoul via the truce village of Panmunjom at 1 p.m. today," said Hanchongnyon spokesman Pak Pyong-on. They will return home alone with North Korean delegates. Hanchongnyon extended invitations to participate in the Sixth Unification Festival, to be held in Seoul Aug. 13-15, he said.

The annual festival has been organized by Pomchonghangnyon, the Korean acronym that stands for the League of Pannational Youths and Students. It takes place in Pyongyang and Seoul alternately around this time every year.

The spokesman said the federation plans to dispatch a 100-strong welcoming party to the Panmunjom to welcome and escort the delegates from Pyongyang.

In the meantime, the Agency for National Security Planning (NSP) yesterday obtained warrants from the court to arrest the two university students as soon as they return to the South. They are Yu Se-hong, 25, dental college junior of Choson University, and To Chong-hwa, 29 who majors in mechanical engineering at Yonsei.

They will be whisked away for investigation by the NSP shortly upon crossing the border via Panmunjom today, NSP officials said.

Earlier in the day, a coalition of presidents of domestic four- year universities expressed concerns about the illegal approach toward national unification by collegians.

### ROK: 'Intense Clashes' Between Students, Police 'Inevitable'

*SK1308062896 Seoul YONHAP in English
0235 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — Intense clashes between students and law enforcement personnel trying to prevent the sixth annual "Pomchonghangnyon," or National Alliance of Youth and Students for Unification, were seen as inevitable Tuesday.

As confrontations were expected between police and students in the vicinity of Yonsei University in Sinchon and other areas of Seoul, traffic in the area was likely to be paralyzed, to the inconvienence of ordinary civilians.

Hanchongnyon, the Korean Federation of University Student Councils, dispatched two students to North Korea. It has also decided to send some 100 members to Panmunjom to welcome the two students and 300 delegates from overseas to the sixth Pan-national Unification Rally.

The federation said that it will try again to have the delegates from North Korea and other nations enter the nation through Panmunjom Thursday, national liberation day, if the first try is unsuccessful. Should the second attempt fail, Hanchongnyon has threatened to hold a mass demonstration in Seoul.

About 1,400 students had already assembled Tuesday morning at Yonsei University and barricaded themselves against police with basketball goalposts and desks, occasionally clashing with police from time to time.

The opening ceremony for the banned rally was held at Yonsei Monday evening, with students from universities across Seoul, including Yonsei, Tongguk University and Seoul City university, holding all-night vigils.

At 6:50 AM Tuesday [2150 GMT 12 August], 600 students wielding metal pipes attacked about 500 riot police conducting searches at Muakjae subway station in Hongje-tong, western Seoul. Four police were injured and windows on 10 riot police buses were broken.

Some 5,000 riot police have been dispatched to prevent the rally, which the government insists violates the South Korean law which bans any gathering expressing support for North Korea's proposed confederation system for national unification.

Police were also stationed on the campuses of other schools in Seoul to prevent demonstrators from receiving or distributing any supplies or weapons.

An additional 3,000 police were sent to Sinchon, Muakjae, Hongje- tong, Pulgwang-tong, Kupabal and other main areas to prevent student demonstrators from advancing to Panmunjom.

Police have already hauled off some 100 students from Yonsei University and near the U.S. Embassy, with four being arrested for throwing bottle grenades. An additional 96 have had arrest warrants issued against them for allegedly carrying subversive literature.

### ROK-Japan EEZ Talks Slated for 13 Aug in Tokyo

*SK0808013096 Seoul YONHAP in English
0052 GMT 8 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 8 (YONHAP) — Officials from South Korea and Japan will meet in Tokyo Tuesday to discuss setting the boundaries of their 200-nautical-mile Exclusive Economic Zone (EEZ) under the United Nations Convention on the Law of the Sea, Foreign Ministry Spokesman So Tae-won said Thursday.

Director General Kim Ha-chung of the Ministry's Asia-Pacific Affairs Bureau will represent the Seoul side at the talks while Kim's Japanese counterpart will be Director General Ryojo Kato of the Japanese Foreign Ministry's Asian Affairs Bureau, So said.

During the talks, the first of its kind since President Kim Yong- sam and Japanese Prime Minister Ryutaro Hashimoto agreed in June to set the boundaries as soon as possible, the two will exchange their positions on the issue and the mode to proceed with the talks.

The convention guarantees each state rights to marine and seabed resources in seas reaching up to 200 nautical miles from the coastline. No part of the sea between South Korea and Japan, however, is wider than 400 miles, making it a must for the two sides to negotiate the boundaries.

## ROK Ministry Looks Into Alleged Remarks by Japan's Kajiyama

*SK0908033096 Seoul YONHAP in English*
*0058 GMT 9 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The Foreign Ministry on Friday instructed the South Korean Embassy in Tokyo to collect correct information on the reports that chief cabinet secretary Seiroku Kajiyama commented on the possibility of street fighting between pro-Seoul and pro-Pyongyang forces in Japan if war broke out on the Korean peninsula, a Foreign Ministry spokesman said.

The South Korean Government will take appropriate measures on Kajiyama's remarks after getting information on exactly what the chief cabinet secretary said, according to the spokesman. The spokesman said that "If the remarks attributed to Kajiyama by reports were actually made, they seemed to have gone beyond our common sense."

## ROK, Egypt Sign Note on Cultural Exchange Plan

*SK0808053796 Seoul YONHAP in English*
*0125 GMT 8 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 8 (YONHAP) — South Korea and Egypt Wednesday signed a note on cultural exchange plan to expand bilateral cooperation in the fields of culture and academy, Foreign Ministry spokesman So Tae-won said Thursday.

Vice Foreign Minister Yi Ki-chu and his Egyptian counterpart al- Safty signed the note in Cairo, capital of the North African State, at the end of a policy coordination talks.

During the talks, Yi promised that South Korea will send a high- level government delegation to the economic summit of leaders of Middle East and North African states slated for this coming November.

The Egyptian side promised that it will make efforts to simplify customs procedures for South Korean imports, secure transparency in the bidding process in Egypt which is considered unfavorable to South Korean firms and lift ban on issuing South Koreans tourist guide licenses.

The two sides also discussed the four party peace talks proposed by Seoul and Washington for a permanent peace regime on the Korean peninsula, the prospect for peace process in Middle East and ways to enhance political and economic cooperation between the two countries.

## ROK: Kim Chong-hwi, Others To Be Paroled on Liberation Day

*SK1308060896 Seoul YONHAP in English*
*0514 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — Former presidential national security aide Kim Chong-hwi, imprisoned on bribery charges in connection with defense contracts, will be released from prison and his civil rights restored by a special pardon granted on the 51st anniversary of national liberation from Japanese rule Thursday.

Former Finance Minister Yi Yong-man, former Labor Minister Yi Hyong-ku, former Donghwa Bank President An Yong-mo and two others will also be set free and have their civil rights restored by the special amnesty, the Justice Ministry announced Tuesday.

Former Korea Electric Power Corp. President An Pyong-hwa, former Military Manpower Administrator Om Sam-tak, former Chief of Naval Operations Kim Chong-ho and two others, who were released from prison after a special pardon on national liberation day last year, will have their civil rights restored.

In addition, a total of 586 prisoners, including six who were sentenced to life in prison, will be paroled.

Yi Hon-chi, 43, and Kim Tae-hong, 49, each serving a 20-year prison term for their involvement in an espionage ring uncovered in the early 1980s, will also be included in the parole, the announcement said.

### ROK: Opposition Denounces Parole for Former Government Officials

*SK1308090496 Seoul YONHAP in English 0827 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — Two opposition parties on Tuesday denounced the inclusion of former senior government officials convicted on corruption charges in the special amnesty announced earlier in the day to mark the Aug. 15 anniversary of liberation from Japanese colonial rule.

The major opposition National Congress for New Politics (NCNP) said in a statement, "By granting a special pardon and restoring the civil rights of criminals who have perpetrated enormous power- related crimes under the pretense of reconciliation, the government has attested to the fact that the anti-corruption drive it launched was not intended for reform but was nothing but a political show."

The statement issued in the name of Deputy Spokesman Sol Hun cited Kim Chong-hwi, ex-foreign affairs advisor to former President No Tae-u, former Donghwa Bank President Yi Yong-man, and former military manpower administration head Om Sam-tak.

The statement pointed out that no dissident leaders benefited from the special amnesty, and added, "The government, instead of reconciling with those who have committed crimes of corruption and misconduct, should seek reconciliation with the people who are indignant about the amnesty."

An Taek-su, spokesman for the second largest opposition United Liberal Democrats, lashed out, "We are not only stunned, but also stupefied by the special amnesty which indicates that the country now lacks the spirit of law as well as social justice."

### ROK: Civil, Religious Bodies Denounce Government Amnesty Plan

*SK1308121696 Seoul YONHAP in English 1144 GMT 13 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 13 (YONHAP) — Major civil and religious organizations on Tuesday joined opposition parties in denouncing the government's liberation day amnesty plan.

The Citizens Coalition for Economic Justice said in a statement that pardoning of those officials of the past regimes involved in major scandals, indicates the government has abandoned reforms, making a mockery of the people.

"If the government ignores national consensus on reforms, the government should be held responsible for all consequences resulting therefrom," the statement said.

The Korean National Council of Churches (KNCC) said the amnesty clearly shows that the Kim Yong-sam regime's reform drive has been a fiction.

Saying that the amnesty indicates that the government turns a deaf ear to the people's aspiration for reforms, the KNCC statement said Korean churches would do all they can to obtain the release of some 400 "conscientious prisoners" to realize genuine national reconciliation.

The Catholic Human Rights Committee, too, said in a statement that the government's decision to pardon corruptive officials of the past regimes while ignoring calls for the release of "conscientious prisoners," is tantamount to making the "liquidation of the past" a bubble.

"Our Catholic Committee will condemn the irrational policy of the government through large-scale prayer masses, etc.," it said.

Earlier in the day, the three opposition parties denounced the amnesty plan, asserting the planned amnesty indicates that the incumbent government's reform drive has been a mere "window-dressing move."

### ROK Faces Power Supply Shortage With Yonggwang's Shutdown

*SK0908044696 (Internet) The Digital Chosun Ilbo WWW in English 1207 GMT 9 Aug 96*

[FBIS Transcribed Text] As the operation of Yonggwang Nuclear Power Plant No. 2 generator was cut off until August 28, the red light is on as the summer power supply and demand plan reaches its peak during the third and fourth week of August when most major manufacturing industries return to normal operation after the summer vacation period. The peak demand is projected to reach 32.6 million kilowatts. Due to the shut down of the Yonggwang No. 2 generator, which constitutes 3% of the nation's power supply reserve, the reserve rate will drop to 4%.

The peak demand so far, recorded on July 24, was 31.343 million kilowatts. The Ministry of Trade and Industry and the Korea Power Electric Corporation met on Thursday to discuss how to compensate for the expected 980,000 kilowatt shortage by introducing several measures such as increasing hydro-electric power capacity by 350,000 kilowatts, operating an emergency generator of 650,000 kilowatts, and requiring regional energy conservation of 500,000 kilowatts.

## ROK: Nuclear Fusion Technology Actively Sought as Energy Source

*SK0908053796 Seoul THE KOREA HERALD in English 9 Aug 96 p 3*

[FBIS Transcribed Text] The nation is seeking active international cooperation for research on nuclear fusion, a field that draws attention for its promise as a future energy source.

The Ministry of Science and Technology said yesterday it will send Korean scientists to participate in research programs at prominent foreign institutes.

Ministry officials named such institutes as the Princeton Plasma Physics Laboratory, General Atomics and MIT of the United States, Germany's Max-Planck Institute and the Japan Atomic Energy Research Institute.

The ministry signed an agreement last June with the U.S. Department of Energy for the implementation of nuclear fusion cooperation .

The nation will also seek to enlist the help of China and Russia, the officials said.

The ministry, meanwhile, approved a budget worth 11.8 billion won for nuclear fusion research to be carried out over the next year.

The money will be spent for 32 programs, including the designing of the "Korea Superconducting TokamAk [as published] Research Device," a nuclear fusion research device.

Ministry officials said they will encourage local business groups, including Samsung and Daewoo, to take part in the research programs.

## ROK: Ministry Reports 'Small' Radioactive Gas Leak, No Harm

*SK1308033596 Seoul THE KOREA TIMES in English 13 Aug 96 p 1*

[FBIS Transcribed Text] A small amount of radioactive gas was released from one of the two Yonggwang nuclear reactors before it was shut down Aug. 7, but no traces of harmful effects on humans and the environment have been detected, the Science-Technology Ministry announced yesterday.

After a two-day intensive inspection of the safety of the pressurized water reactor (PWR), a task force comprising nuclear experts from the government and private institutions said that the leak of water coolant containing small amounts of radioactive material from the steam generator was believed to have been caused by an abrasive defect in its tubes.

However, no radioactive substance in liquid form leaked outside the nuclear reactor though it mixed with a second type of coolant through the recycling system.

The total amount of radioactive gas released into the air prior to the reactor being shut down was estimated at 0.21 curie (Ci), which is roughly equal to the activity of 1 gram of 226Ra (radi- um). This is a tiny amount compared with the permissible quantity of 5,100 Ci from the two reactors at the Yonggwang Plant in one year, said Yi Song-ku, director-general of the ministry's nuclear safety, who headed the 12-man inspection team.

The official said that the task force collected and tested various samples from the nearby area but could not found any traces of radiation harmful to the surrounding areas of the nuclear plant and adjacent residential tracts.

Prof. Chang Son-hung from the Korea Institute of Science and Technology (KIST), for his part, said that the leak is rather common for the PWP-typed reactor but the leak of a massive amount of coolant can have an adverse impact on the reactor.

Then he accented the necessity for stricter safety checks for the reactor.

There have been 13 shutdowns of nuclear reactors in Korea since the first reactor at Kori went on line in 1978.

The trace of the leak in the steam generator of Yonggwang Reactor No. 2 was found July 18 and the plant began to reduce generating power by 25 percent on Aug. 3 for safety checks and operations were stopped on Aug. 7 after confirming there was a problem with the steam generator.

Officials from the ministry and Korea Electric Power Corporation (KEPCO) said that it will take about two more weeks to fix the generator and start it back up resume operations.

In a related development, a nuclear reactor at the Ulchin Power Plant in Kyongsangpuk-to stopped generating electricity at 11 a.m. Sunday after the water recycling system failed to function properly.

After emergency correctional measures, the reactor was to resume operations late yesterday afternoon.

The shutdown of the two nuclear reactors led to a fall in the power reserve rate, thus alarming officials from the government and KEPCO, the sole supplier of the nation's electricity.

### ROK: Ministry of Agriculture, Forestry, Fisheries Renamed

*SK0808040196 Seoul THE KOREA TIMES in English 8 Aug 96 p 8*

[FBIS Transcribed Text] The name of the Ministry of Agriculture, Forestry and Fisheries has been changed to the Ministry of Agriculture and Forestry.

The name change comes as the ministry's fisheries-related business is being delegated to the embryonic Ministry of Maritime and Fisheries Affairs.

The ministry plans to hold a ceremony to hang the new name board at the ministry building in Kwachon, Kyonggi-do, in the presence of Minister Kang Un-tae and other officials.

President Kim Yong-sam plans to name the minister of the new ministry today.

### ROK: Opposition Claims 'Favoritism' in Cabinet Reshuffle

*SK0908033496 Seoul THE KOREA TIMES in English 9 Aug 96 p 2*

[FBIS Transcribed Text] The opposition parties yesterday expressed dissatisfaction with President Kim Yong-sam's reshuffle of his economic lineup, criticizing that it is tainted with "favoritism."

"The Kim Yong-sam administration exposed its limitations in personnel management again by filling the Cabinet posts only with Kim's old guards, the main opposition National Congress for New Politics said in a statement.

Another opposition United Liberal Democrat also downgraded the reshuffle, citing the absence of fresh faces. "The reshuffle again proved that President Kim is failing to read the minds of the people who want fresh and truly able figures."

Only welcoming the dismissal of the Cabinet members in charge of economic affairs, the opposition claimed that their dismissal should have come earlier, citing the economic crisis in the nation.

### ROK: Kim Yong-sam Presents Appointment Letters to New Ministers

*SK0908015596 Seoul YONHAP in English 0139 GMT 9 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — President Kim Yong-sam said Friday that the members of his cabinet must make a strenuous effort to move the government's on-going reform programs and pledges to the people forward as scheduled.

President Kim instructed the cabinet and the presidential office at Chongwadae [presidential offices] to cooperate closely with the ruling party to achieve state policy goals and complete tasks that have been set for the latter part of the current administration's term.

Kim made the remarks after presenting the letters of appointment at Chongwadae to new cabinet members including Deputy Prime Minister and Finance-Economy Minister Han Sung-su.

He asked the new economy-related cabinet members to pay particular attention to overcoming current economic difficulties including the slowdown in national export growth and the increasing current account deficit.

### ROK: New Book Reveals Han Sung-su's Economic Philosophy

*SK1308041096 Seoul THE KOREA TIMES in English 13 Aug 96 p 9*

[FBIS Transcribed Text] Coincidentally or not, a new book by Deputy Premier and Finance-Economy Minister Han Sung-su titled New Economic Policy Theory has hit the bookstands just days after his appointment to the top economic post, attracting interest especially from his deputies.

Han began to draft the book after being defeated in the 1992 National Assembly elections.

The main message of his book is that no economic policy or theory can exist that does not ascribe to economic realism.

He says in the book, "The prime focus of our economic policy in the past, when Korea was a developing country, was to devise policies for growth and expansion." But now as Korea is on the threshold of becoming an advanced country, the economic policy must shift from growth and development to enhancing the quality of life for the people, especially in environmental, medical, housing and transportation fields, he argues.

He opposes a German-style approach in the unification of the South and North Korea in the book.

He said Germans are suffering unbearable financial and psychological burdens due to the sudden absorption of the former East Germany by West Germany.

He advocates instead a step-by-step approach to unification. "All Koreans want an immediate unification of the Korean peninsula. However, the unification must proceed on the basis of peaceful coexistence and natural development without friction and burdens between the two sides.

Before the two Koreas reach ultimate unification, the two sides must continue independent economic systems, he says. For a successful and cost-effective unification, it is essential for the North Korean economy to gain vitality, he says.

His book also touches on the problems of the nation's tax policy and system. He argues local autonomous bodies have excessively fragile financial bases. Korea is heavily dependent on indirect taxes and gives special favors to specific industrial sectors.

### ROK: NKP Studies Allowing Vice Ministers Party Membership

*SK0808013296 Seoul YONHAP in English*
*0010 GMT 8 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 8 (YONHAP) — The ruling New Korea Party [NKP] is considering revising the Political Party Law to allow vice ministers and presidential secretaries to hold party membership.

"The banning of vice ministers and presidential secretaries from holding party membership is undesirable for the development of party politics and a smooth state administration," Rep. Son Hak-kyu, chairman of the NKP First Policy Coordination Committee, said Wednesday.

"Since the current national civil service law permits their political activities, it is necessary to prudently study amending the political party law."

The government party reportedly plans to submit a draft amendment to the parliamentary ad hoc committee tasked with rewriting laws for the purpose of ensuring fair elections.

Under a proviso of article 6 of the Political Party Law, vice ministers and presidential secretaries are excluded from the categories of people who are permitted to join political parties.

### ROK Premier Urges 'Tough Stance' on Challenges to Police Work

*SK1008032896 Seoul YONHAP in English*
*0241 GMT 10 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 10 (YONHAP) — The government has decided to take a tough stance against a series of incidents involving police officers that are regarded as a serious challenge to law enforcement authorities. A police officer was recently killed and a patrol car stolen.

Prime Minister Yi Su-song instructed National Police Administrator Pak Il-yong Saturday to take special precautions to prevent such incidents from recurring. He also emphasized, "The government will make a thorough investigation of these incidents, and work out strong countermeasures."

The premier ordered the police head to inspect policemen's service attitude and conditions thoroughly on the occasion of the cases and do his best to establish public peace and order so as to make people comfortable.

Premier Yi also expressed regret about a student being accidently injured by a stray bullet shot by a policeman, while chasing an offender who robbed his patrol car, and directed the perfect treatment and compensation.

### ROK: Steel Business 'Very Weak' During Jan-Jun Period

*SK0808090296 Seoul THE KOREA ECONOMIC WEEKLY in English 12 Aug 96 p 15*

[FBIS Transcribed Text] First-half business was very weak for domestic steelmakers, according to a survey by THE KOREA ECONOMIC DAILY based on their half-yearly financial reports.

Most companies, except for Pohang Iron & Steel Co. [POSCO] and Dongkuk Steel Mill, saw the ordinary income fall short, by half, of the level of 1995's first six-month period, due to the sluggish domestic and export sales and mounting stockpiles resulting from the general economic slowdown.

POSCO managed to near last year's level, with 330 billion won in ordinary income bolstered by brisk steel sheet sales, and Dongkuk Steel was the only company whose profits vaulted from 16.2 billion won to 20 billion won.

The worst performers are Kangwon Ind., whose operations turned into the red from 7.3 billion won in the black last year, and Union Steel, which faced a drastic fall from 14.5 billion won to a mere 1 billion won.

Hanbo Steel was exempted from the survey, but is estimating to suffer bad results, especially with the partial opening of its gigantic steel complex in Tangjin on the west coast.

**Steelmakers' First-Half Business**

| | Turnover | | Ordinary Income (100 mil. won) | |
|---|---|---|---|---|
| Company | '95 | '96 | '95 | '96 |
| POSCO | 40,555 | 40,100 | 3,315 | 3,300 |
| Inchon Iron & Steel | 7,316 | 7,590 | 291 | 120 |

| | Turnover | | Ordinary income (100 mil. won) | |
|---|---|---|---|---|
| Dongkuk Steel | 5,012 | 5,396 | 162 | 200 |
| Kangwon Ind. | 3,639 | 4,500 | 73 | Negative |
| Korea Iron & Steel | 2,863 | 2,685 | 94 | 58 |
| Dongbu Steel | 4,554 | 4,929 | 285 | 103 |
| Union Steel | 2,868 | 2,999 | 145 | 10 |

Note: POSCO's figures are net incomes.

## ROK, NKP Agree To Grant Ulsan 'Metropolitan City' Status

*SK0908033296 Seoul YONHAP in English 0243 GMT 9 Aug 96*

[FBIS Transcribed Text] Seoul, Aug. 9 (YONHAP) — The government and the ruling New Korea Party (NKP) have agreed to promote the city of Ulsan to "a metropolitan city," the same status as Seoul, Pusan, Taegu, Taejon, Kwangju and Inchon, next July.

Rep. Cha Su-myong (NKP-Ulsan) said Friday the government and the NKP have reached a complete agreement to promote Ulsan to a metropolitan city as of July 1, 1997, in their recent policy coordination meeting.

With this goal in mind the government will begin to draft a special law that will govern Ulsan metropolitan city when the city formally applies for the promotion after the South Kyongsang Province Council approves the application toward the end of this month.

In 1994, the government first raised the issue of promoting Ulsan to a metropolitan city as part of the plan to redraw administrative districts, such as provinces, cities and counties, and last year the National Assembly unanimously passed a resolution supporting the city's request for the promotion with the signatures of 100,000 citizens.

## ROK: Survey Results on Quality of Life Reported

*SK1008011996 (Internet) The Joong-Ang Ilbo WWW in English 10 Aug 96*

[FBIS Transcribed Text] The quality of life enjoyed by South Koreans is the lowest among developed Asian countries. The level of satisfaction in personal achievement is also low and South Koreans do not get enough rest due to long working hours. This naturally leads to a much higher level of stress as compared to the people of Japan, Hong Kong and Taiwan. Koreans also display the lowest level of interest in time spent with their families.

These are the results of a survey recently conducted by Hong Kong's FAR EASTERN ECONOMIC REVIEW on its 3 thousand readers in 10 Asian nations.

In the category for the level of satisfaction in personal achievement (the highest degree was set at 130), Korean respondents recorded 95, slightly higher than those in Japan (85), Hong Kong (71) and Taiwan (60), but considerably lower than those of the Philippines (122), Indonesia (120) and Thailand (117).

South Koreans also proved to be suffering from the highest rate of chronic stress at 65 percent.

## Burma

### Burma: SLORC's Than Shwe Departs for Malaysia Goodwill Visit

*BK1208145596 Rangoon TV Myanmar Network in Burmese 1330 GMT 12 Aug 96*

[FBIS Translated Excerpt] At the invitation of His Majesty Tuanku Ja'afar Ibni Almarhum Tuanku Abdul Rahman and Her Majesty Tuanku Najihah Binti Almarhum Tuanku Besar Burhanuddin, the king and queen of Malaysia, Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] of the Union of Myanmar [Burma], and his wife Daw Kyaing Kyaing, left Yangon [Rangoon] International Airport by special aircraft today for a goodwill visit to Malaysia. [passage omitted on sending off party]

SLORC Chairman Sr. Gen. Than Shwe and his wife Daw Kyaing Kyaing were accompanied by Lieutenant General Khin Nyunt, SLORC secretary- 1, and his wife; Brigadier General Abel, minister of national planning and economic development; Foreign Minister U Ohn Gyaw and his wife; Transport Minister Lt. Gen. Thein Win; Information Minister Maj. Gen. Aye Kyaw; Construction Minister Maj. Gen. Saw Tun; Brig. Gen. Thura Thiha Thura Sit Maung, chairman of Tenasserim division law and order restoration council; and responsible officials from the SLORC Office, Defense Ministry, and Foreign Ministry. [passage omitted on arrival in Kuala Lumpur]

### Burma: Article Alleges Suu Kyi Planning Destruction of Country

*BK1308102796 Rangoon KYEMON in Burmese 10 Aug 96 p 6*

[Article by Shwe Pyi Thar: "If you feel fear, you will have shame; if you have shame, you will feel fear"]

[FBIS Translated Text] Mrs. Aris Suu Kyi, who is the modern day Maung Ba Than [the person instrumental in bringing Burma under British servitude], is maliciously trying to return Myanmar [Burma] to servitude. She is trying to implement the plans of her British husband and her neocolonialist in-laws without regard to her [Burmese] ancestry. Mrs. Aris is constantly planning the destruction of the entire Myanmar [Burmese] people, rather than her opposition to the ruling government. She could voice her opposition to the government in a constructive manner, and she could also present her opinion and conviction. Such are the practices of a cultivated and intelligent person. However, the autocratic actions of Mrs. Aris Suu Kyi — who was timid, undaring, and quiet in the country where she grew up and got married — have created skepticism among the Myanmar people.

Neocolonialists have not only adopted Mrs. Suu Kyi as the modern day Maung Ba Than but have also married her off to a Briton of Jamaican descent, and she has borne two Anglo offspring. They have also named her a heroine of democracy by awarding her the world-renowned Nobel Peace Prize, when the country and the whole world know that instead of bring about peace and stability in Myanmar she is creating unrest and disturbances. Like Mrs. Suu Kyi, the president of the Soviet Union, Mr. Gorbachev, also received the Nobel Peace Prize. After Gorbachev received the Nobel Peace Prize, the Soviet Union disintegrated, the economy collapsed, and the breakaway republics started fighting each other, and the clashes continue still today. The Soviet Union, which Mrs. Suu Kyi's British relatives at one time feared, has been turned into a toothless tiger, a snake without venom. Once a superpower, they are now hungry for American assistance and are compelled to comply with American wishes. The Russians have regretted a little too late and they can never return to the superpower status they once held.

Mrs. Suu Kyi, thinking her mere million-dollar Nobel Prize is an enormous award, has been resorting to various measures to create a bloodbath and disintegrate Myanmar. It seems the Englishman's wife believes absolutely that she could obtain power if anarchic disturbances — which she saw in 1988 — occur again. Mrs. Suu Kyi is trying to create a mass upheaval, and she thinks the 45 million people will become distracted. The two old men at her side [reference to National League for Democracy leaders U Tin U and U Kyi Maung] also believe that, and they are advising her accordingly.

In reality, Myanmar is heading for development, with the people happily engaged in an open economic system while cherishing the country's peace and tranquility. The Englishman's wife, Mrs. Aris Suu Kyi, is obstinately doing what she does — and saying just any old thing — because of her frustration as things don't work out as she hoped and as her real inner feelings are beginning to emerge.

It could be assumed that the population's food, clothing, and shelter needs could be met if there is no unrest in Myanmar. Her husband and his relatives have pointed this out to her. The two good-for-nothings at her side, too, have concurred. At that, Mrs. Suu Kyi adopted her international, standard, Myanmar destruction policy and began campaigning for it. The neocolonialist broadcasting stations also rendered assistance. Michael Aris — who is going back and forth between England and America — and his community are seeking measures to isolate and sanction Myanmar while threatening the countries that have given assistance to the Myanmar people. Mrs. Suu Kyi and her two good-for-nothings should not be underestimated, because they have the backing of the neocolonialists. They seem to be encouraged by the broadcasts of the axe-handles [reference to expatriate instigators] from the colonialist airwaves.

The Myanmar people were filled with anguish when they heard Mrs. Suu Kyi's inner thoughts indicating the government should "hold a dialogue or face utter devastation". When the Myanmar government, which has never threatened anyone anywhere, paid no heed to the threat the Englishman's wife became furious and began seeking foreign assistance "to impose international pressure on the Myanmar government."

In an attempt to obtain power, Mrs. Suu Kyi also sought economic sanctions, sent letters worldwide, and spoke maliciously. She connived with certain unscrupulous diplomats and shamelessly pleaded for people to dissociate themselves from Myanmar. She called on foreign countries not to invest in Myanmar and asked tourists to boycott the 1996 Visit Myanmar Year.

The thoughts of the Englishman's wife, Suu Kyi, have no depth. She thought that if there were no foreign investments, the Myanmar people would face problems with their food, clothing, and shelter needs, and that if the people were hungry, a situation similar to 1988's would arise in the country. She had calculated that she would then solve all the problems with the assistance in dollars from her foreign relatives [reference to the West], and obtain power. Myanmar is self-sufficient in food, and the Englishman's wife was ignorant of this because she had not lived in Myanmar. She could not think like a Myanmar, so she could not understand Myanmar customs. The Myanmar people are tolerant, forgiving, contented, loyal, and patriotic. Myanmar is self-supporting as regards its food, clothing, and shelter needs. The Ngapwagyi [reference to the U.S.] said Myanmar was isolated for 26 years — but during those 26 years, Myanmar never became like Somalia, Rwanda, or Ethiopia. How can a resource-rich country with a market-oriented economic system become poor? The Englishman's wife was unable to comprehend that, as were her two good-for-nothings. Their minds were blocked by the lust for power.

The Englishman's wife, Mrs. Aris Suu Kyi, who is the modern day Maung Ba Than, shamelessly married a Briton of Jamaican descent; shamelessly plans the destruction of the Myanmar people; and was unconcerned with the danger of facing a bloodbath. In short, the lust for power deflects shame, and the cloud of power has cast its shadow, thus blocking out fear and creating a lack of consideration. The Englishman's wife, Mrs. Aris Suu Kyi, seems not to understand the Myanmar saying: If you have fear, you will feel shame; if you have shame, you will feel fear. It seems she pays greater heed to the words of her British in-laws than to the words of advice of her Myanmar parents and grandparents.

## Burma: Article Ridicules Demand for Dialogue

*BK1308083096 Rangoon MYANMAR ALIN in Burmese 12 Aug 96 p 6*

[Article by U Phyo: "Not the Right Time"]

[FBIS Translated Excerpt] According to four Pali words referring to appropriate time, place, and circumstsances the Burmese nationals are familiar with, one must act and speak in accordance with the prevailing situation and time. [passage omitted on examples of inappropriate acts]

Just look at the current Saturday and Sunday roadside public gatherings [in front of Aung San Suu Kyi's residence]. What have Htet Htet Moe Pyu [derogatory theatrical name given to Aung San Suu Kyi] and comedian U Khaw Khaw [meaning bucktooth referring to U Tin U of the National League for Democracy] been saying in coordination.

It has been learned that they have been finding fault with the military government's performance and making exaggerations and muttering unpleasant slanders. This is nothing but an act of pessimists, who are devoid of reasoning, which is not in accordance with time, place, and circumstances.

Is the State Law and Order Restoration Council [SLORC] government their rival for them to be plotting an offensive stance? The SLORC government is a military organization. It is not a political party. Only the political parties compete among themselves. It is not in accordance with time to be attacking a government which is paving the way toward genuine multiparty democracy, giving priority to and safeguarding stability, and striving on all fronts to bring development to a backward country.

They are deliberatly obstructing, aggravating, and insulting the government, which is striving to bring peace and development, to make the government arrest, put them on trial, and imprison them when it becomes intolerable. They are doing this to obtain public sympathy. They are trying to gather public sympathy in preparation for elections which will be held one day in the near future. [passage omitted on aggravation against the government]

Htet Htet Moe Pyu's roadside show is getting more and more isolated from the Defense Services and the Myanmar [Burmese] public.

They talked of wanting to hold dialogue with the government composed of the military leaders, and yet they continue to insult, criticize, and attack the military government. So how can a dialogue be held?

What we see clearly is that other than criticism against the SLORC government from the pessimist roadside dance troupe, the SLORC government has no problem, anxiety, or threat as the entire country is engaged in unity in cultivation of crops, commerce, and constructive endeavors.

The country has no major problem serious enough to be holding dialogue with the said dance troupe to seek advice and to listen to criticism. Dialogues are held in some Western countries where there are a lot of problems and an explosive situation. It is in their nature to hold dialogue to seek solution. That is them.

Here, the problems which existed before have been solved due to benevolent, correct, delicate, and constructive approach of the SLORC government.

We have achieved solidarity which is unprecedented in previous eras. Both the SLORC and the indigenous organizations are striving to further strengthening this solidarity. There will be more mutual understanding and sympathy as time goes by. [passage omitted on national development endeavors]

If the government has to negotiate and consult with this and that organization, it will not be able to obtain outstanding political, economic, and social results it has achieved presently. It is so because party organizations in practice only consider their own party interests. [passage omitted]

At the time progress is being in all fronts in the country, I view the demand for dialogue by the roadside dance troupe as a hindrance.

I think the momentum of national development can be impeded by holding dialogue with them. [passage omitted]

Any intelligent and cultured person should speak and act in accordance with the time and circumstances and should not be excessive in words and action out of anxiety before appropriate time. The roadside dance troupe of Academy award winning Htet Htet Moe Pyu should not be competing with the military government. Their anxious act is like a thief who broke into a spinster's time ahead of time. [passage omitted]

# Brunei, Malaysia & Singapore

## Malaysia

### Malaysia: Efforts To Enable Burma To Join ASEAN Intensifying

*BK1208144696 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 12 Aug 96*

[FBIS Translated Text] Malaysia is intensifying efforts to enable Burma to join ASEAN by next year, at the latest. The process of speeding up Burma's admission into ASEAN together with Laos, and Cambodia is to ensure cooperation among 10 ASEAN countries.

This subject was raised at a one-hour meeting between Prime Minister Datuk Sri Dr. Mahathir Mohamed and Senior General Than Shwe, chairman of Burma's State Law and Order Restoration Council, at the Prime Minister's Department in Kuala Lumpur today.

Than Shwe reacted positively to the matter. Foreign Minister Datuk Abdullah Ahmad Badawi, who is also the chairman of the ASEAN permanent committee, will continue to handle discussions on the matter. The issue will be included in the agenda of ASEAN Ministers Meeting to be held in Kuala Lumpur next June.

Burma's first step toward joining ASEAN is to establish trade cooperation and investment ties with ASEAN member countries.

### Malaysia: Burma 'Keen' To Become Full ASEAN Member 'Next Year'

*BK1308100696 Kuala Lumpur THE STAR in English 13 Aug 96*

[Report by Shahanaaz Sher Habib — received via Internet]

[FBIS Transcribed Text] Kuala Lumpur — Myanmar [Burma] has announced its intention to join ASEAN as a full member at the 30th ASEAN Ministerial Meeting in Kuala Lumpur next year.

Foreign Minister Datuk Abdullah Ahmad Badawi said Myanmar [Burmese] State Order Law and Restoration Council (SLORC) chairman Senior General Than Shwe had indicated that his country was keen to join the grouping as soon as possible.

"Prime Minister Datuk Sri Dr Mahathir Mohamed has expressed his wish to see Myanmar becoming a member of ASEAN next year," Abdullah told reporters after Gen Than Shwe and Dr Mahathir met for bilateral talks.

"Judging from the response of the senior general, I think Myanmar does not see much difficulty in joining next year," Abdullah said, adding that ASEAN would discuss Myanmar's entry.

He said he did not think Myanmar's entry would stir problems among ASEAN's other dialogue partners, namely the United States and European Union, which had been critical of Yangon's [Rangoon] military government.

He said the recent ARF [ASEAN Regional Forum] meeting in Jakarta was successful despite talk that the European Union and United States were unhappy with Myanmar's participation after it had explained the SLORC government's present and future plans.

Earlier Abdullah and Myanmar's National Planning and Economic Development Minister Brigadier General David Abel signed the Economic Scientific and Technical Co-operation Agreement.

He said Dr Mahathir and Gen Than Shew agreed that the two countries work on the Investment Guarantee Agreement, Bilateral Payment Agreement and Avoidance of Double Taxation Agreements which would be signed at a later date.

Meanwhile, Foreign Ministry Secretary-General Datuk Abdul Halim Ali said at a dialogue with the MCA [Malaysian Chinese Association] International Affairs Bureau here that Malaysia was against countries which boycotted Myanmar over human rights problems.

"We should look at Myanmar in a positive light and oppose Western ideas of isolating it," he said.

### Malaysia: Abdullah Assails Terrorism, Views Ties With Burma

*BK1208144796 Kuala Lumpur BERITA HARIAN in Malay 12 Aug 96*

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] Kuala Lumpur, 11 Aug — Foreign Minister Datuk Abdullah Ahmad Badawi said that Malaysia will not support and bless any country which gives protection to terrorism and violent acts.

He said that Malaysia is a small country which implements a development program based on the principles of Islam.

In view of this, he added, Malaysian missions overseas should demonstrate Islamic characteristics when establishing diplomatic ties with foreign countries.

"We hope that Malaysian missions can display the Islamic image that our country is striving for.

"We do not support, bless, or agree with any countries or parties that support or protect terrorism, no matter who they are.

"Islam is opposed to all forms of terrorism, and in fact, does not tolerate such forms of violence," Abdullah said in his speech at a ceremony marking Prophet Mohammad's birth anniversary at the Ministry of Foreign Affairs here, today. Datuk Abdul Halim Ali, the new secretary general to the Ministry of Foreign Affairs, was also present at the ceremony.

Speaking to journalists after the ceremony, Abdullah said he was not referring to any country when he made the above statement.

"However, that is our attitude. No protection should be given to terrorists, and terrorism everywhere should be condemned. No matter who the terrorists and the supporters are, both should be condemned," he said. [passage omitted covered by referent item]

Asked to comment on the five-day state visit by Senior General Than Shwe, chairman of Burma's State Law and Order Restoration Council (SLORC) to Malaysia beginning tomorrow, Abdullah said it was part of a policy of constructive engagement with Burma.

"Even though the visit is a bilateral affair, it is also related to ASEAN's policy of constructive dialogue toward that country," he said.

### Malaysia: Paramount Ruler Urges Trade Expansion With Burma

*BK1308103096 Kuala Lumpur THE STAR in English 13 Aug 96*

[BERNAMA report — received via Internet]

[FBIS Transcribed Text] Kuala Lumpur — The Yang di-Pertuan Agung [Paramount Ruler] Tuanku Ja'afar said that greater efforts should be made towards diversifying bilateral trade and promoting direct trade between Malaysia and Myanmar [Burma].

Although still relatively small, the growth of total trade from RM [Malaysian ringgit] 231.6 million in 1991, to RM683.5 million in 1995, was encouraging, he said.

"Malaysian investment has also been encouraging over the last three years. With total investment of US$227.27 million (RM568.175), Malaysia is the sixth largest investor in Myanmar."

He said this at a state banquet in honour of Chairman of the State Law and Order Restoration Council of Myanmar Senior General Than Shwe.

The King said the government would continue to encourage the Malaysian private sector to participate in Myanmar trade fairs.

## Malaysia: Burmese Delegation Issues Statement in Kuala Lumpur

*BK1308022196 Rangoon TV Myanmar Network in Burmese 1330 GMT 12 Aug 96*

[Statement issued by the Burmese delegation led by SLORC Chairman Senior General Than Shwe upon arrival in Kuala Lumpur on 12 August]

[FBIS Translated Text] At the invitation of Their Majesties Yang Di-Pertuan Agong Tuanku Ja'afar Ibni Almarhum Tuanku Abdul Rahman and Tuanku Najihah Binti Almarhum Tuanku Besar Burhanuddin of Malaysia, a goodwill delegation of the Union of Myanmar [Burma] led by Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC], and his wife Daw Kyaing Kyaing arrived in Kuala Lumpur on 12 August 1996.

Reflecting the growing friendship and understanding between the two countries and two peoples, the visit is aimed at the further promotion of close ties and cooperation in forging mutually beneficial links in trade and investment.

As a traditional trading partner and currently an emerging new industrialized country, Malaysia can share this valuable experience with the Union of Myanmar, which has recently established a market- oriented economy. The Myanmar delegation looks forward to exchanging views on the subjects of trade and investment while sustaining efforts to promote close relations between the leadership of the two countries.

As an observer nation of the ASEAN, Myanmar will also undertake to implement the principles and objectives of the association in due consultation and cooperation with the chairman of the Standing Committee for 1996-1997.

While in Malaysia, the Myanmar delegation will visit industrial and cultural sites, as well as developmental projects both in Kuala Lumpur and Penang.

In order to consolidate progressive bilateral cooperation between the two countries, an agreement on economic, scientific, and technical cooperation will be signed during the visit.

## Malaysia: Minister Against Nontrade Issues on WTO Agenda

*BK1208144996 Kuala Lumpur Voice of Malaysia in English 0800 GMT 12 Aug 96*

[FBIS Transcribed Text] International Trade and Industry Minister Datuk Sri Datuk Sri Rafidah Aziz says it is critical for Malaysia to fine-tune and where necessary, to revamp existing development policy. This will enable the country to be more competitive and ensure more sustained long-term growth and development. The proposed move also means that Malaysia's policies, while still being dictated by national interest, will have to be adjusted to realize regional or subregional objectives.

She made the remark when opening a three-day conference on Globalization and Development Lessons for the Malaysian Economy in Kuala Lumpur.

Rafidah said the government had been bold enough to make radical policy changes where necessary and have taken new unchartered path in order to inject new growth expansion.

Rafidah Aziz also warned against the inclusion of nontrade issues on the agenda of the World Trade Organization, WTO. She said political and protectionist-motivated issues not linked to trade will disrupt the WTO's work program and lead countries to resort to regionalism. Such disruption to the multilateral growth and the converting of nations into regional groupings will direct the impact upon corporate and public sector decision-making. This will adversely affect flows of foreign direct investment and decision in locating manufacturing operation.

## Malaysia: Defense Minister on Procurement of Military Equipment

*BK1208140096 Kuala Lumpur NEW STRAITS TIMES in English 10 Aug 96 p 6*

[Report by Rene Leow]

[FBIS Transcribed Text] Kuala Lumpur, Fri [Friday] — Retiring Royal Malaysian Air Force [RMAF] chief Lieutenant General Datuk Sri Abdul Ghani Aziz has been asked to provide the Defence Ministry with the names of ex-RMAF officers who supplied obsolete and sub-standard equipment to the RMAF.

Said its Minister, Datuk Syed Hamid Albar: "This is a very serious allegation and I am surprised to hear the Government bought sub-standard equipment."

He said any military equipment procurement would have to undergo strict scrutiny by technical committees, both at the Ministry and Treasury.

"Furthermore, the specifications and standards of equipment to be purchased are outlined by the Ministry's technical committees," he added.

Syed Hamid, who spoke to newsmen after meeting Australian Foreign Minister Alexander Downer at his office, said equipment would normally be put under real situation testing and certified by the committees.

"Only then would the tender be awarded to the successful bidder," said the Minister.

He was commenting on Abdul Ghani's statement yesterday, alleging ex-RMAF officers turned defence suppliers sold obsolete equipment at the expense of their former colleagues' safety.

Abdul Ghani's comments reported on the front page of THE NEW STRAITS TIMES today spoke of ex-RMAF officers who were profit driven in their bid to sell the equipment.

"But it should not be at the expense of the operational readiness of the RMAF, or worse still, endangering the lives of their former colleagues," he had said.

Abdul Ghani had made the allegation during his speech yesterday at the presentation of United Nations medals to 27 RMAF members attached to Air Force Headquarters in the Defence Ministry.

Asked if the RMAF chief would be asked to substantiate his claim Syed Hamid said: "He (Abdul Ghani) is still answerable to the Ministry as he is on a three-month resettlement programme prior to his retirement."

He added: "He should contact us and submit the names of those who have supplied inferior and obsolete equipment to the RMAF. Once proof is established, we will take action."

He added that Abdul Ghani had never mentioned the matter to the Ministry before.

Asked if any company had been blacklisted for supplying inferior equipment, Syed Hamid said: "None, as they would be excluded from the early stage of the tender by the Ministry's technical committees."

He said he was happy with the existing military procurement system despite some short [as published] in the procedures.

"But these shortcomings have not resulted in the purchase of defective equipment," he stressed.

Meanwhile, Syed Hamid said Malaysia would make a decision on which shipping consortium would handle the multi-billion [currency not specified] contract to build 27 New Generation Offshore Patrol Vessels for the Royal Malaysian Navy by the end of this year.

The Ministry has short-listed six shipbuilders which have tied with foreign shipyards to win the RM [Malaysian ringgit] 5.6 billion contract.

Australia's Transfield Defence Systems is one of the foreign shipbuilders.

## Singapore

### Singapore: Government Reports Slowdown of Growth for 2d Quarter

*BK1308051596 Singapore THE STRAITS TIMES in English 13 Aug 96*

[Report by Chan Hwa Loon — received via Internet]

[FBIS Transcribed Text] The slowdown in Singapore's economic growth to 7 percent in the second quarter was broad-based, cutting across all sectors, but with the manufacturing sector being the hardest hit.

The lower second quarter figure followed a double-digit growth rate of 10.9 percent in the first quarter. The latter represented a slight upward revision from the 10.7 percent reported previously.

The Second Quarter 1996 Economic Survey released by the Ministry of Trade and Industry (MTI) yesterday showed that the manufacturing sector growth rate fell by more than half to 6.3 percent in April- June, compared to 14 percent in the previous three months.

But Mr. Khaw Boon Wan, MTI's permanent secretary, said at a press briefing that the 7 percent growth rate was "in fact our medium term supply-side potential".

"Slower growth after three years of above potential growth is desirable, as it allows us a breather to moderate cost pressures and to make the necessary investments in training and capital to take advantage of the next upturn," he added.

MTI attributed the lower second quarter growth mainly to the "slowdown in the global electronics cycle arising from a moderation in demand and an oversupply of components like chips". Close to 44 percent of Singapore's manufacturing output came from the electronics industry.

The global electronic slowdown also affected the exports of regional economies and this had "knock-on effects" on Singapore's transport and communications, and commerce sectors.

The transport and communications sector grew at 8.4 percent last quarter, down from 10.5 percent in the first; while commerce sector's growth slowed to 5.7 percent from 9.5 percent previously. Lower regional growth was reflected in the decline of entrepot trade growth rate to 8.5 percent, from 16 percent a quarter ago.

Even the star performer in the second three months of this year — construction — saw its growth rate fall to 14.2 percent from 23.6 percent in January-March.

Growth in the financial and business services sector also moderated to 6.5 percent, down from 8.4 percent in the first three months of the year.

Sluggish performance in the stockbroking industry and a moderation in Asian Currency Unit activities had contributed to a drop in the financial services subsector's growth rate from 6.1 percent in the first quarter to 3.2 percent in the second.

However, if the increasingly more important, non-traditional banking activities such as capital markets, fund management, treasury and derivatives trading were included, the growth rate would rise to about 10 percent, said Mr. Koh Beng Seng, deputy managing director of the Monetary Authority of Singapore (MAS), who was also present at yesterday's briefing.

With lower growth, inflation had also moderated. It registered 1.2 percent in the second quarter, down slightly from 1.3 percent in the previous quarter.

Mr. Khaw said he expected the whole-year inflation rate to be about 1.5 percent.

On the outlook for the year, he told reporters that MTI had forecast earlier a slowdown from the 8.8 percent growth in 1995, especially in the second half of this year.

"This assessment remains unchanged. What has changed is the degree of the slowdown," he said.

He added that forward-looking indicators for the Singapore economy like the Composite Leading Index and business expectations surveys "confirmed slower growth in the second half, although we cannot be sure how much lower".

As announced by Prime Minister Goh Chok Tong in his National Day message last Thursday, MTI had revised its whole-year growth forecast for Singapore from 7.5-8.5 percent to 7-8 percent.

But Mr. Khaw noted that economic growth in the Organization for Economic Cooperation and Development (OECD) countries "remained respectable" although overall, the external environment was "less rosy" than a quarter ago.

Moreover, while the global electronics industry was expected to show less robust growth this year, its growth was "still healthy".

He added that the widely expected upturn in the electronics industry in the last quarter of this year was "certainly one of the positive upside" potentials.

"Unfortunately, with the very short lead time now between a pick- up in demand and an output increase, we cannot look far ahead with great certainty," he said.

## Cambodia

### Cambodia: Khmer Rouge 'Antagonistic' Attacks Condemned

*BK1308025396 Phnom Penh National Radio of Cambodia Network in Cambodian*
*0200 GMT 13 Aug 96*

["Communique" issued by the commands of Divisions 450, 250, and 415 on 11 August; place not given]

[FBIS Translated Text] I. The conflict which has lasted to these days has now become highly antagonistic. However, what is good is that we, at the lower levels, could refrain from shedding each other's blood. [Division] 450 could refrain from attacking [Division] 250 and vice versa [Division] 415 could refrain from attacking [Division] 250. This is our sincerest wish.

Nevertheless, Son Sen and Ta Mok have ordered the forces to prepare to shed the blood of the two divisions [450 and 415] every day. This is a base action of a warmongering and murdering nature.

II. In light of the aforementioned situation, in a few days, the friendly country located in our back [Thailand] will implement the following measures:

1. It will absolutely oppose anyone who wants to shed the blood of his fellow Cambodians;

2. It will close the border passes from kilometer marker No. 9 to Kamrieng controlled by [Division] 250.

3. It will decide to cut off all economic contacts.

Conclusion: If this takes place, then what livelihood problems will the brothers face? What will become of your interests? And what will your own security be?

The brothers and comrades-in-arms should decide for yourselves and should make your own choice.

[Dated] 11 August 1996.

### Cambodia: Breakaway Divisions Deny Alleged Leadership Changes

*BK1308062396 Phnom Penh National Radio of Cambodia Network in Cambodian*
*0500 GMT 13 Aug 96*

[Denial issued by the commands, army members, and army dependents of Divisions 450 and 415 on 12 August; place not given]

[FBIS Translated Text] All of us wish to categorically deny an allegation fabricated in the most sordid and base manner by the radio of Democratic Kampuchea which announced in its 12 August transmission that this or that person had been appointed to lead Divisions 450 and 415. This allegation is nothing but propaganda to mislead both national and international opinions in order:

1. To conceal the crime of killing cadres, combatants, and people committed by the murdering thugs, namely Son Sen, alias Khieu, and the one-track-minded Ta Mok.

2. To break up [Divisions] 450 and 415 and cause [Division] 250 under their direct command to become confused and remain out of touch with reality.

3. To delay the time of their deaths a little longer.

We wish to reiterate that [Divisions] 450 and 415 must firmly maintain their organizational setup and leadership without any changes at all.

[Dated] 12 August 1996.

### Cambodia: Breakaway Divisions Urge Border Passes Closure

*BK1308064596 Phnom Penh National Radio of Cambodia Network in Cambodian*
*0500 GMT 13 Aug 96*

[Appeal by the commands of Divisions 450, 415, and 250 on 12 august; place not given]

[FBIS Translated Text] I. So that the traitors Son Sen, alias Khieu, and Ta Mok — who have betrayed the nation, cadres, army members, population, and army dependents of Divisions 450, 415, and 250 — can be arrested, the commands of Divisions 450 and 415 and all patriotic army members within [Division] 250 appeal to all peace-loving friendly countries and peoples to tightly close all border passes behind the nation-betraying Son Sen, alias Khieu, and Ta Mok. This is to enable the army members, army depedents, and the entire population within Divisions 450, 415, and 250 to capture and condemn them for their nation-betraying and barbaric acts and especially to send them for a swift trial by the people's tribunal.

2. This appeal is made with the intention of avoiding intra- Cambodian bloodshed and preventing the murderers and butchers of the nation, cadres, army members, and population from having an opportunity to threaten and coerce the weak and meek to continue shedding the blood of their fellow Cambodians.

[Dated] 12 August 1996.

### Cambodia's Hun Sen: Government Forces Join Renegade Division

*BK1208145396 Phnom Penh National Radio of Cambodia Network in Cambodian*
*1300 GMT 12 Aug 96*

[Speech by Second Prime Minister Samdech Hun Sen at the inauguration of a primary school building in Papi Commune, Kroch Chhma District, Kompong Cham Province, on 12 August — recorded]

[FBIS Translated Excerpt] [Passage omitted] The Khmer Rouge [KR] have been not least furious with me over the past few days. While a lull seems to have prevailed for the past two months, suddenly the compatriots in Pailin and Malai declared opposition to the Khmer Rouge there, and then hailed us.

At 1000 yesterday morning, our Division 12 and units stationed in Sisophon had already joined hands with [KR] Division 450 in the front line to establish a linkup. Now they are trying to find solutions because Ta Mok [notorious one-legged Khmer Rouge commander], Son Sen, Pol Pot, and Nuon Chea have ordered forces to attack the compatriots in Pailin. I hope, however, that they will be able to cope with the situation. The situation continues to progress; so, peace has continued to prevail, regardless. [passage omitted]

### Cambodian Official: Defections May Be Less Than Announced

*BK1308095096 Hong Kong AFP in English*
*0913 GMT 13 Aug 96*

[FBIS Transcribed Text] Phnom Penh, Aug 13 (AFP) — The Cambodian Government on Wednesday conceded that the number of Khmer Rouge guerrillas to have split from the hardline central leadership over the past week might be less than announced.

Co-Defense Minister Tea Banh told reporters that not all the Khmer Rouge in the northwest had decided to join their commanders in breaking with the hardliners and allying themselves with the group's former number two Ieng Sary, whom the leadership has denounced as a "traitor."

"The number of troops is unclear because they have to hide their (strength)," Tea Banh said during a break in a National Assembly session. "I can't say what percentage of the men have actually cut themselves from the hardliners."

Over the weekend, Co-Premier Hun Sen and the commander of renegade division 450, Sok Pheap, claimed that some 4,000 guerrillas, or seventy percent of the rebels' estimated force in the northwest, had broken away.

Military analysts and diplomats have been skeptical of that figure and have urged caution be used in describing the number of actual renegades as no one has yet to see the defectors.

In another indication that the mass defection may not be as large as what was announced, the CAMBODIA DAILY newspaper reported that a military aircraft flew over the rebel base of Pailin on Monday dropping leaflets urging remaining "loyalists" to join with the new faction.

Pailin is the home base of division 415 which was said to have joined the new faction.

Officials in Phnom Penh had said during the weekend that both Pailin and Phnom Malai, Sok Pheap's headquarters, were no longer rebel bases.

Sok Pheap has denied that he and his men defected to the government but has acknowledged a rift in the movement and said he would no longer follow the orders of the hardline leadership.

The government has insisted the renegades have defected and residents in Poipet, the Cambodian town on the Thai border closest to Phnom Malai, said Tuesday that at least 10 senior Khmer Rouge military men were staying in a hotel there under government protection.

"There are many Khmer Rouge officials living here in the hotel next to my house," one Poipet businesswoman told AFP by telephone. "They are being escorted by military police."

Tea Banh said negotiations with the Khmer Rouge were continuing and that the army was ready to assist the renegade faction if case they were attacked by loyalists.

"The Royal Cambodian Armed Forces are also preparing to help those who have defected if they ask," he said. "But up to now, they haven't asked for any help.

### Cambodia: NADK: Situation in Malai, Pailin Returns to Normal

*BK1308020696 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 12 Aug 96*

[Declaration on the improved situation in Malai and Pailin issued by the NADK Supreme Command on 12 August; place not given]

[FBIS Translated Text] I. The situation has gradually improved and normalized both at base 450, Malai, and at base 415, Pailin, as the overwhelming majority of cadres and all army members and their dependents together with the Supreme Command of the National Army of Democratic Kampuchea [NADK] have been busily engaging, on the one hand, in the production work and, on the other hand, in the offensive against the enemy, communist Vietnam and its lackeys the puppets with Hun Sen as the ringleader. For this reason, the Supreme Command of the NADK would like to issue the following recommendations:

1. All cadres, army members, and army dependents are called upon without any discrimination to unite as a single body, to join hands in carrying out timely production activities to support the rear, and also to join hands in carrying on the attacks against communist Vietnam and its lackeys the puppets.

2. Ieng Sary, alias Van, has betrayed the nation, people, cadres, army members, and army dependents. He hurriedly fled from Malai in the night of 8 August. He is no longer there to share weal and woe with you, brother and sister cadres, army members, and army dependents. This Ieng Sary, alias Van, at the command of communist Vietnam and the alliance, had a plan to incite you to revolt, break away, and cause troubles here and there to hurt our forces in the rear, especially our army dependents and army members in the rear and also to hurt our army strength at the front. Therefore, the Supreme Command would like to call upon all of you to put an end once and for all to this Ieng Sary, alias Van, incident. We ask some of you who once had contact with him or were misled and misguided by him to end all relationship with him permanently and unequivocally.

As for the couples of mistaken cadres who were instigated by this Ieng Sary, alias Van, using various means, they are also called upon to rejoin the rest of the cadres, army members, and army dependents at 450, Malai, and 415, Pailin. They are asked to resolutely discard all their erroneous, mistaken, and ill-advised acts inspired by this Ieng Sary, alias Van, and to once again join hands and hearts as a single body with all our cadres, army members, and army dependents, to restore all their correct manners, and to return to the policy and line of fighting communist Vietnam and its lackeys the puppets in order to save the nation and defend Malai and Pailin themselves.

The few mistaken cadres who were misguided by this Ieng Sary, alias Van, are called upon to place themselves under the leadership of the new leading committees in Malai and Pailin under the direct supervision of the Supreme Command of the NADK so that all of us can implement the same line under the leadership of the Supreme Command of the NADK and belong to the same army and the same rank bereft of any cracks or splits.

The Supreme Command wishes and firmly believes that, of their own free will, these couples of mistaken cadres will agree to return to their old comrades-in-arms and join them in the struggle against the enemy of the nation in order to end the communist Vietnamese war of aggression and achieve peace within the framework of an independent, peaceful, neutral, and sovereign Cambodia enjoying all its territorial integrity and functioning in genuine liberal democracy under a truly pluralist and parliamentarian system.

[Dated] 12 August 1996

[Signed] The Supreme Command of the NADK

## Indonesia

### Indonesia: Daily Disagrees With U.S. Response to Terrorism

*BK1308062496 Jakarta THE JAKARTA POST in English 7 Aug 96 p 4*

[Editorial: "U.S. and Terrorism"]

[FBIS Transcribed Text] After failing to secure the support of its traditional allies, the United States has decided to go it alone in attempting to isolate Libya and Iran which it accuses of sponsoring international terrorism. President Bill Clinton on Monday signed a bill requiring him to impose sanctions on international companies that invest in energy projects in the two countries.

Just two weeks ago, Clinton signed a similar law against Cuba. Like the new law, there was no support for the anti-Cuba law from Washington's allies, and Clinton was forced to delay its enforcement until the end of the year. Also two weeks ago, the U.S. Senate approved a bill that gives the American president the option to impose economic sanctions on Myanmar [Burma], which Washington accuses of gross human rights violations. Again, there is a clause that allows the U.S. government to punish companies that invest in the Southeast Asian country.

Leaving aside the debate about international terrorism, we are seeing a pattern in which the United States increasingly tries to impose its will on the rest of the world. The United Nations' economic sanctions against Cuba, Libya and Iraq, for example, reflect the interest, and the will, of the American government rather than the international community.

The United Nations Security Council, once an effective tool to police the world during the Cold War, has become subservient to American interests, with Russia and China reluctant to use their veto rights. Not content with its dominance of the Security Council, the United States is now trying to dictate international policies unilaterally, from Washington.

The next few days, or weeks, will tell whether or not Washington's allies drop their opposition, or whether the United States will back down just as it did two weeks ago in the anti-Cuba law. Already, Italy and France are calling for a common European Union response and retaliation against American firms. One should bear in mind that no international economic sanctions have ever worked. Imposing tough sanctions — which the laws against Cuba, and now against Iran and Libya, are meant to do — are not likely to have a major impact.

The hasty way in which the new anti-terrorism law was introduced indicates America's frustration with its inability to counter international terrorism, which is increasingly targeting U.S. interests. But it is a big mistake to blame all of the recent terrorist attacks on Iran and Libya, when American authorities are short of substantial evidence.

Some of the recent terrorist attacks in the United States were "home grown" and did not necessarily have international links. Certainly the Oklahoma bombing last year and the Atlanta bombing two weeks ago fall into this category. There is still no conclusive evidence of international links to the TWA plane explosion and investigators have not found the culprits for the bombing of American military barracks in Saudi Arabia.

While we sympathize with America's frustration, we cannot support the way that American leaders have turned terrorism into an election issue. This appears to be the logical explanation of why Clinton has signed the Republican-sponsored bill in spite of protests from Washington's allies, and knowing that sanctions have never worked in the past and never will in the future.

Tough talking on terrorism clearly goes down well with voters, and the tougher the better. Libya and Iran provide convenient targets, despite knowing full well that domestic terrorism on its home soil is on the rise. Regardless of who wins the American presidential election this November, the signing of the law has eroded the U.S.'s international credentials and the international respect it once commanded. (endall) 7 aug hs/wmccombe/pk WM501308.026 13/0621z Aug 640 WC BT #1153 NNNN

### Indonesia: Megawati's Sister, Others Questioned About Riots

*BK1308045496 Jakarta REPUBLIKA in Indonesian 13 Aug 96*

[Unattributed report — received via Internet]

[FBIS Translated Text] Jakarta — Pramudya [Pram] Ananta Tur [who was chairman of the defunct People's Culture Institute or Lekra] and Diah Mutiara Sukmawati (Megawati's sister) were questioned by a team of the Attorney General's Office yesterday (12 August). The two have become witnesses in the cases of Budiman Sujatmiko (chairman of the self-styled People's Democratic Party) and Mukhtar Pakpahan (chairman of the Indonesian Prosperous Trade Union) who have been charged with insulting the head of state.

Meanwhile, two Indonesian Democratic Party [PDI] leaders Sophan Sophiaan and Sukowaluyo Mintoraharjo were questioned at the Metropolitan Jakarta Police headquarters yesterday. Last Friday, Megawati and Aberson Sihaloho were questioned in the same place. Police will question Sabam Sirait and Sutarjo Suryoguritno [two other pro-Megawati PDI leaders] today [13 August]. "The two have received police summonses and will go to the Metropolitan Jakarta Police headquarters tomorrow," Bambang Wijoyanto from the Indonesian Legal Aid Board Foundation [YLBHI] said. Sukowaluyo and Sophan will again be questioned on Monday, 19 August 1996.

Pram, who was chairman of the Lekra affiliated with the [now banned] Indonesian Communist Party [PKI], was questioned for six hours and 45 minutes. The questioning started at 1000. Pram, who was accompanied by his wife and daughter, was questioned at the room of the Intelligence Operations Unit, located on the second floor of the Attorney General's Office. Pram, who looked tired, was led away by his wife and daughter after the questioning. Scores of domestic and foreign reporters surrounded him soon after he came out from the investigation room. The man, who was once detained on Buru Island, was bombarded with various questions. He said that he did not know Budiman.

According to Pram, he was questioned as a witness in the Budiman case. Pram was asked about his ties with the People's Democratic Party [PRD]. "I said that I had no ties with the PRD," he said. Pram, however, admitted that he once received the Democracy Award [preceding two words in English] from the PRD. He was also present during a function marking the launching of the PRD Declaration. Pram, his wife, and daughter left the Attorney General's Office by taxi arranged by a worker of the Attorney General's Office.

Meanwhile, Diah Mutiara Sukmawati, chairwoman of the Marhaen [Indonesian-style Socialism] Youth Movement [GRM], was questioned at a room next to the Intelligence Operations Unit room. Sukmawati arrived by taxi. She was accompanied by lawyers M. Luthfie Hakim, Munir, and E. Rizal. She had appointed 18 lawyers led by Haryono Citrosubono (chairman of the Indonesian Union of the Law Profession) and Adnan Buyung Nasution. Megawati's sister arrived at the Attorney General's Office at 1115 to comply with a summons she received on Saturday (10 August). By 2010, Sukmawati was still questioned by a team of prosecutors.

According to Yunan Sawiji, assistant to the attorney general in charge of special crimes, Pram and Sukmawati were questioned as witnesses in the Budiman and Pakpahan cases. "We are questioning them as witnesses at the moment," he told reporters. According to him, Muhammad Isnaeni, a senior leader of the [defunct] Indonesian National Party, will also be questioned. "We have arranged a schedule for him to be questioned," he said. Mulyana W. Kusumah, secretary general of the Independent Election Monitoring Committee [KIPP], is also due to be questioned. After he returns to Indonesia, the Attorney General Office will send a summons to Mulyana.

Last week, the Attorney General Office sent a summons to Mulyana over the Pakpahan case. The former executive director of the YLBHI was, however, abroad. A number of community leaders have been questioned at the Metropolitan Jakarta Police headquarters. Sophan and Sukowaluyo, who are members of the House of Representatives, were questioned by a team of investigators for about six hours. The two arrived at the police headquarters at about 0900 along with Bambang Wijoyanto S.H. [Master of Law] and other YLBHI lawyers. The questioning started half an hour later and ended at 1530. There was a one-hour break.

Sophan, Sukowaluyo, and Bambang were unable to give a statement after the questioning. "We are not allowed to give a press statement here. We will give a statement at the YLBHI office," Sophan said.

Nevertheless, Sophan talked to reporters before meeting the team of investigators. He questioned why the police summonses were not enclosed with a permit issued by the president of the Republic of Indonesia. "The summonses were enclosed only with State Secretariat Letter of Endorsement No. R-117/M Sesneg/7/1996,"he said.

Speaking at the YLBHI office, Sophan said Police Captain Elly Lalyah and Police Captain Tugino posed 35 questions to him during the questioning. He was accompanied by five lawyers during the questioning. Police posed 31 questions to Sukowaluyo, who was accompanied by three lawyers. Sophan and Sukowaluyo were questioned in different rooms. "I was questioned from 0930 to 1530 with a break from 1130 to 1230," Sophan said. So was Sukowaluyo. According to Bambang, the questions posed to Sophan could be divided into three parts. "The first part dealt with Sophan's activities and status from 17 June to 28 July. The second part contained three questions over Budiman, while the third part contained questions over the 17 July incident," Bambang said.

Sukowaluyo was questioned over the holding of a free forum. "I said the free forum at the PDI Central Executive Council headquarters was meant to channel the aspirations of PDI members opposed to the Medan congress. Moreover, we and the Greater Jakarta military commander earlier agreed that the democratic forum could be held so that PDI masses would not take to the streets," Sukowaluyo said.

### Indonesian Military Spokesman: 14 PRD Activists Under Arrest

*BK1308033496 Jakarta KOMPAS in English 13 Aug 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] KOMPAS Online — Budiman Sujatmiko and Petrus Hariyanto, respectively the Chairman and Secretary General of the People's Democratic Party (PRD), were discovered by authorities about 2112 on Sunday night (11 August). The two fugitives were watching the news on television at a friend's place in Bekasi.

"Three other people from PRD were also caught. We have also seized a number of documents," Brigadier General Amir Syarifudin told journalists at a Moslem (MUI) gathering on Monday (12 August). Amir was accompanied by ABRI [Armed Forces of the Republic of Indonesia] Chief of Staff Syarwan Hamid.

Garda Sembiring (Head of the Indonesian Students Solidarity/SMID Jakarta) and Immanuel Pranowo (Secretary General at the Center for Workers' Struggles/PPBI). Both SMID and PPBI were founded as the under bows [as received] of the PRD. Other associated pro- democratic youth organizations include the People's Art Association (JKR), the Indonesian People's Union (SRI) and the National Farmers' Association (STN).

To date over 14 PRD members have been caught, said Amir who declined to give information as to where the youths had been held. All are being questioned in relation to subversive activities and their involvement in the riots on the 27 July 1996. Amir assured they would be tried in accordance with the law.

The 27 July riots were sparked when the military raided the headquarters of the ousted Indonesian Democratic Party (PDI) leader Megawati Sukarnoputri. Various youth groups are being blamed for the violence which ensued.

According to Amir the contents of the PRD documents seized are identical to the documents of the now outlawed communist party (PKI). Amir read a quote from the PKI manifesto dated 22 April 1951 — "...PKI struggles to create a democratic Indonesia. The broader aim is to create a socialist society as the initial stage to founding a communist Indonesia."

"If we look at PRD's manifesto it's identical. So the group are subversive. And the date is the same, the 22nd," exclaimed Amir. (The PRD manifesto was signed on 22 July 1996.)

Syarwan reiterated his warning that communists were moving among Indonesian society. "They move like cancer," he said. Syarwan, who had served for seven years in the Indonesian intelligence service said he could "smell" a communist. He added for the past year he could feel the communist phenomena.

Yesterday, Major General Tayo Tarmadi from the Siliwangi military unit said he noted that students tended to be divided into two primary groups, one politically right, the other left. He said, however, that those leaning to the left were not necessarily communist. Tayo stated that 27-year old Budiman Sujatmiko was not supported from students in Bandung.

Tayo added that the activities of left-leaning groups focussed on destabilizing the New Order.

Former chairman of PRD, Eko Sulistyo (28), surrendered to the authorities yesterday. His lawyer asked that Eko be questioned [words indistinct].

The authorities have appealed to all members of PRD and SMID to surrender. Authorities have assured that questioning will occur without physical terror. If there is no proof of involvement in subversive activities the youths will be released.

## Thailand

### Thailand: Commerce Ministry Plans To Sue U.S. Government

*BK1308035296 Bangkok BUSINESS DAY in English 13 Aug 96 p 1*

[Report by Staff Writer Matthana Menkhae]

[FBIS Transcribed Text] The Commerce Ministry has submitted notice to the World Trade Organization (WTO) that it intends to hire a group of attorneys from the European Union (EU) to sue the US Government for trade discrimination on shrimp products from Thailand.

The Department of Business Economics Director-General Kroekkrai Chiraphaet said the Ministry decided to sue the US Government cited a WTO rule which states that members must not use discriminate against each other in trade.

US shrimping regulations state that the US does not import shrimp products manufactured by any environment-damaging process or netted by boats not equipped with TED [Turtle Exclusion Device], special equipment which prevents sea turtles from being caught.

The regulation has been effective since July 1.

However, the US is now being more flexible on the rule by extending the deadline for implementation of the TED rule to September in accordance with a request from shrimp-exporting countries such as Thailand, Hong Kong, Taiwan, Indonesia and the Philippines.

The US have sent officials to those countries to observe shipment-by-shipment if they use TED equipment in shrimping industry.

Mr. Kroekkrai is confident that the Commerce Ministry will win the lawsuit as did Mexico in its case against the US for tuna trade discrimination.

"Other WTO member countries also affected by the shrimp regulation such as Hong Kong and Taiwan are also willing to join Thailand in its action against the US Government," said Mr. Kroekkrai.

### Thailand: Kroekkrai Discusses Suing U.S. Over Shrimp Restriction

*BK1308104796 Bangkok MATICHON in Thai 12 Aug 96 p 17*

[Unattributed report]

[FBIS Translated Text] Speaking to reporters about the shrimp import ban to be implemented by the United States, Kroekkrai Chiraphaet, director general of the Business Economics Department, said Thailand will surely bring the case to the attention of the World Trade Organization (WTO) because it is inappropriate for the United States to use its internal regulations as a trade barrier against other countries. In principle, no country is allowed to resort to such a protectionist practice. Filing a case with the WTO is aimed at defending Thailand's legitimate interest — and also teaching a major power such as the United States a lesson, so that it will come to realize that its unilaterally imposed measures are no longer effective.

Kroekrai said: "We are confident that we will win. A precedence was set by Mexico when it sued the United States over the tuna import restriction and won."

A Commerce Ministry source disclosed that the ministry is in the process of hiring lawyers from the European Union to draft a petition against the United States.

Mrs. Wilai Kiatsichat, president of the Processed Food Production Association, said the private sector fully supports the Commerce Ministry's move to sue the United States before the WTO so as to ensure fairness in international trade. If Thailand wins the case, the problem will automatically be solved. Other countries like Hong Kong and Taiwan will also join Thailand in bringing the case before the WTO.

It was reported that in 1995 Thailand exported a total value of 66 billion bahts' [Bt] worth of frozen shrimp and shrimp products. The United States, the second biggest market for Thai shrimp, imported Bt22 billion worth of Thai shrimp — 20 billion worth of farm-raised shrimp and 2 billion worth of wild shrimp from the sea.

### Thailand: Burmese Not Ready for Border Checkpoint Reopening

*BK1308053496 Bangkok THAILAND TIMES in English 13 Aug 96 p A3*

[Unattributed report]

[FBIS Transcribed Text] Tak: Burmese authorities are not ready for the official reopening of the Mae Sot-Myawaddi border checkpoint, Tak province's Chamber of Commerce deputy chief Suchat Triratwatthana, said yesterday.

Suchat said Burmese officials had suggested postponing of the official reopening of the checkpoint until later in the week.

Tak's deputy governor Sanai Chaloemphon held talks with Myawaddi's governor Lt. Col. Maung Maung Yin over the weekend, and they planned to officially open the checkpoint for cross-border trading today.

He said customs officers in Myawaddi have not yet prepared important documents such as invoices and tax forms necessary for cross-country trade.

The customs officials from Rangoon, over 200 km northwest of Myawaddi, have not yet reached their offices in the border town, said Suchat, adding that Burma's Foreign Trade Department chief Ne Win Oo, who will be heading the Burmese representatives in the opening ceremony, has not yet arrived in the town.

A meeting between Thai and Burmese private sectors planned as part of the opening ceremony has to be canceled, Suchat added.

The two governments eventually agreed to reopen the Mae Sot- Myawaddi border checkpoint in Tak province particularly for cross- border trade after a month-long lobbying by Thai businessmen along the border.

## Thailand: Cultural Cooperation Agreement Signed With Vietnam

*BK1008084696 Bangkok Radio Thailand Network in English 0000 GMT 9 Aug 96*

[FBIS Transcribed Text] Deputy Prime Minister and Foreign Minister Amnuai Wirawan and visiting Vietnamese Minister of Culture and Information Tran Hoan yesterday represented their countries in signing a cultural agreement at the Ministry of Foreign Affairs in Bangkok.

In a speech at the signing ceremony, Mr. Amnuai said the signing of this agreement is one of the most prominent activities organized by the two countries during this year to celebrate the 20th anniversary of the establishment of diplomatic relations between Thailand and Vietnam. He said the cultural agreement, the first one Thailand has ever signed with the country on the mainland of Southeast Asia, served to demonstrate mutual desire between the two countries to foster their cultural cooperation. The agreement, he said, would undoubtedly contribute to the deepening of friendship and understanding between the Thai and Vietnamese peoples, thus paving the way for the expansion of mutually beneficial cooperation in other areas.

The cultural agreement is the 14th bilateral accord concluded by the two countries. Since 1955, Thailand has entered into 18 cultural agreements with friendly countries.

## Thailand: Army Chief Scraps Four-Billion-Baht Hardware Request

*BK1308051896 Bangkok THAILAND TIMES in English 13 Aug 96 p A1*

[Report by Aphinan Uttamangkhaphong]

[FBIS Transcribed Text] Bangkok: Army Commander-in-Chief Pramon Phalasin has decided to scrap his predecessor's plan to buy 200,000 new assault rifles, thus saving face for a military accused of being extravagant at the expense of the nation's economic stability.

"I don't want these rifles ... I don't know what we'll do with the old ones," he told THAILAND TIMES.

Former Army Chief Gen. Wimon Wongwanit's request for the new guns, at an estimated cost of four billion baht, was part of the controversial armed forces shopping list that drew a good deal of flak before the first reading of the 1997 budget.

However, by the time Pramon came to draft the military's budget request for 1997, it seems he had already taken the rifles out of the equation.

Gen. Pramon said the new rifles were unnecessary for the moment, as the present arsenal of American-made M16-A1 rifles still had plenty of life in them.

Pramon, who is to retire this October, after barely a year in office, said he had never had any intention of buying the rifles. He added that senior Army officers had been unable to say what would be done with the decommissioned weapons.

Wimon appointed Gen. Suthep Siwara to chair a panel which was to choose which assault rifle models would be bought.

Three types were originally shortlisted: Israeli Karils, Australian Steyers and American M16-A2s.

However, when former Australian foreign minister Gareth Evans accused Thailand of supporting the Khmer Rouge in its struggle with the Phnom Penh government, Wimon decided to pull the Steyers out of the running, and the panel eventually settled on the M16-A2s.

The assault rifles were just part of the armed forces' multi- billion-baht spending plans, which critics, some in the government, said were likely to worsen the high current account deficit.

Also on order is the Star of Siam military satellite at 26 billion baht, a brace of submarines at 17 billion baht, and a second batch of F18 jet fighters at 18 billion baht, all of which the government has put on hold.

However, the Supreme Command has this month signed a contract with French manufacturer GIAT Industries for 295 armored vehicles at a cost of about five billion baht, for the Army to use in securing the Cambodian border.

Gen. Wimon, who retired last year, is widely known to have been at odds with Pramon, largely because of the Army top brass' customary loyalty to former classmates at the Chunlachomklao Royal Military Academy.

As Army chief, Wimon, of Class 5, snubbed Pramon, Class 6 by moving him from the relatively powerful position of deputy commander to Army chief of staff.

Most of Thailand's last ruling military junta, the brutal National Peace-keeping Council were also in Class 5.

Gen. Chettha Thanacharo, a deputy army commander, said arms procurement was only one aspect of improving the operational efficiency of the Army, not everything.

### Thailand: Central Bank Plans Stricter Controls on Banks

*BK1308040496 Bangkok BUSINESS DAY in English 13 Aug 96 p 1*

[Report by unidentified staff writer]

[FBIS Transcribed Text] To restore confidence abroad in Thailand's financial system, the Bank of Thailand [BOT] plans to impose tighter controls on commercial banking practices and accounting procedures, Financial Institutions Supervision and Development Department Director Thiracha Phuwanatnarannuphap said over the weekend.

The first measure will be directed at bad debts. When a bank is found to have bad debts, the BOT will insist it deduct the loss from its capital fund without having to wait for the sale of collateral placed to cover the loan. This will severely affect banks with small capital funds as the reduction will immediately impact on their lending portfolios, he said.

The second measure will be an improvement of standards of asset valuation by banks. The BOT and property appraisers will meet to discuss this next week.

Thirdly the central bank will revise regulations to better supervise commercial banks, with credit extension procedures the prime target.

Authorization of bank executives for lending approval will be revamped. The regulation will indicate a clear-cut area of duty and size of loans for executives at each level. The rule will not give sole authorization to an individual to approve loans. This will also involve standards of collateral valuation, he said.

The last measure will be the restructuring of BOT's internal operations to make them more responsive to problems at commercial banks as they occur.

Meanwhile the central bank will further develop its supervisory measures to meet international standards because in the near future international monetary organizations will become more active in Asia, he said.

However Mr. Thirachai did not set a timeframe for implementation of the measures. He suggested banks and their clients co-operate in order to survive the current economic slowdown. Banks should relax their repayment rules if clients fail to repay on time. Furthermore, clients that have aggressive expansion plans should be advised to slow down at the moment, he said.

### Thailand: Central Bank: No Unlimited Full Service Foreign Banks

*BK1308062596 Bangkok THAILAND TIMES in English 13 Aug 96 p B1*

[Report by Renu Rattanaprasoet]

[FBIS Transcribed Text] Bangkok: The Central Bank has denied reports it is to propose the granting of an unlimited number of full service branch licenses to foreign banks under the ASEAN's push for financial liberalization of trade finance at the forthcoming Finance Ministerial meeting in Thailand.

Bank of Thailand (BOT)'s Financial Institution Supervision and Development Department director Thirachai Phuwanatnaranuban said ASEAN countries may ask for more full-service branch licenses in addition to the seven licenses to be issued.

BOT, under a five-year plan to liberalize the country's financial industry and turn Thailand into a regional financial center by the year 2000, has agreed to upgrade seven of the Bangkok International Banking Facility (BIB) branches into full service branches. Currently, eleven foreign banks have opened branches in Thailand.

Thailand will act as coordinator to draft a plan for ASEAN liberalization of the financial trade. The proposed scheme includes the issuing of full branch bank licenses, either self-contained or as joint ventures.

However, no conclusion has been reached to decide the stake percentages or the number of licenses. Thirachai added that incentives under the scheme will be higher than those given under the General Agreement on Trade in Service (GATS), termed GATS plus.

Thirachai also insisted BOT's supervision is tough enough to cope with liberalization as it has continually improved its supervisory measures. Consequently, there will be no hurdle for the implementation of the GATS plus scheme.

But how does Thailand lead its ASEAN counterparts to an unanimous agreement? Thirachai insists that under the scheme all ASEAN will benefit.

With regard to Thai financial institutions, Thirachai agreed they are ready to cross borders. He is convinced the scheme will help streamline trade and investment among members.

However, some bankers doubt whether Thailand will benefit from the scheme, citing problematic laws and regulations in some member countries that could hinder Thai banks.

Some member countries such as Vietnam, the Philippines and Indonesia will not be ready for liberalization and will need time to discuss problems fully. Some bankers voiced concerns over certain member country's ailing financial institutions.

The most significant point is it should concentrate on the quality of financial institutions not on quantity as BOT will be more burdened in its supervisory role.

With regard to the Bangkok Bank of Commerce (BBC) scandal and the closure of the Bangkok Metropolitan Bank's offices in the US, bankers point out that BOT had given sufficient and proper supervision. However, before initiating any liberalization scheme, BOT should upgrade its supervision standards to international levels.

## Thailand: Editorial Sees End to Banking's Solid Foundations

*BK1308054896 Bangkok BANGKOK POST in English 13 Aug 96 p 10*

[Editorial: "Prudence Ignored For Coalition's Sake"]

[FBIS Transcribed Text] Banhan Sinlapa-acha and Pol. Capt. Chaloem Yubamrung have agreed to kiss and make up. Great. Peace between the Prime Minister and the maverick leader of one of the country's smallest political parties has been made at an immense price.

We have not been told exactly how much the deal is to cost us. All we have been told is that the disputed banking licences will not be raised at today's Cabinet meeting.

But we have been told enough. The principles that have been the solid foundation of Thailand's banking system are to be sacrificed for some secretive purpose behind Pol. Capt. Chaloem's manipulation. Mr. Banhan's priority is to keep himself in power and in order to do that he has to keep this discredited coalition together. For him, no price is too high.

Mr. Banhan should have stood firm. He should show he is capable of standing up for some principles. He should be prepared to resign if the lobbying on banking licences does not cease. After all, if the banking system is also to be prey to cronyism, there won't be anything left for Ali Baba and the 40 thieves to steal.

Let us be clear what exactly we are talking about here. It does not matter who gets the new banking licences. What matters is that the banking system must continue to be liberalised. It must become more competitive so that monopoly powers are not used to hurt bank customers — for example, through the present wide gap between interest rates on deposits and loans. But the banking system must be liberalised prudently and without favour. It must be shielded from the lobbying of narrow interests. To achieve this, it needs clear, fair rules; and it needs selection procedures that are objective and transparent.

The point about the present controversy is that the rules were set clearly and fairly in advance, new applicants submitted their proposals., three were selected and others failed. The complaints of Pol. Capt. Chaloem and Gen. Chawalit Yongchaiyut are not really about the principles. They mention the rules in passing, but they are really arguing that certain bids should have been accepted on the grounds of who was bidding.

Gen. Chawalit, and by implication Pol. Capt. Chaloem, are saying the rules should be waived for the War Veterans Organisation [WVO]. But the fact the WVO failed to meet the shareholding conditions is an indication of how the organisation might perform as a bank. It was unwilling or unable to find enough joint-venture partners and now it has acquired powerful politicians to lobby on itS behalf.

There have been suggestions that Pol. Capt. Chaloem is actually lobbying on behalf of other bidders as well. He has not made clear what his objectives are. It is interesting that none of the failed groups has complained publicly about what was unfair. More importantly, if he really wants to show that he has the interests of the financial system and the economy at heart then he has to spell out what was unfair about the rules.

There are other reputations at stake as well. If Deputy Prime Minister Amnuai Wirawan agrees to delay submitting the licences to Cabinet, then his reputation for reasonable economic management will be dented. The same goes for Finance Minister Bodi Chunnanon, whose reputation as an macro-economic manager actually needs building.

But the biggest reputation to suffer will be Thailand's. The realm of the Bank of Thailand used to be an oasis of reason in the desert of Thai corruption. New even that is under threat. If it is allowed to happen, the cost will be immeasurable.

## Vietnam

### SRV: Japan Helps Survey First Vietnam Hi-Technology Zone

*BK1308082896 Hanoi VNA in English
0650 GMT 13 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 13 — Japan and Vietnam have signed a memorandum of understanding (MOU) on Japanese involvement in planning Vietnam's first high-tech zone.

The $10-billion hi-tech zone will be located in Hoa Lac, a future western suburb of Hanoi, 30 km from the center, according to Bui Thien Du, director of the Technology Management Department of the Ministry of Science, Technology and Environment who signed the MOU with Kato Hiroshi, director of the Development Study Department and head of Japan's International Cooperation Agency (JICA) here last week.

The 1,800-hectare Hoa Lac hi-tech zone is scheduled to be developed in three phases between 1998 and 2020.

In the first seven years, developers will turn 800 hectares of barren hills into an industrial zone, involving the employment of up to 10,000 laborers.

The second phase between 2005 and 2010 will see another 400 hectares of hilly land developed, with the third and last phase to 2020 employing up to 36,000 people working in a 'multi-functional industrial zone.'

The zone will eventually become an area for hi-tech manufacturing plants, trading services, research centers, and vocational training schools.

The hi-tech zone is just part of the future Hoa Lac satellite city. The area will also house the future Vietnam Cultural Park and a new national university campus.

Ground has already been broken on the construction of a 30-km freeway linking the capital city to Hoa Lac.

### SRV: Party Delegation Visits Bolivia, Argentina 4-11 Aug

*BK1308080896 Hanoi VNA in English
0640 GMT 13 Aug 96*

[FBIS Transcribed Text] Hanoi VNA August 13 — A delegation of the External Relations Commission of the Communist Party of Vietnam Central Committee led by Deputy Chairman Do Van Tai paid working visits to Bolivia and Argentina from August 4-11.

In Bolivia, the Vietnamese party delegation was received by Marcos Domich, general secretary of the Communist Party of Bolivia (CPB) and held talks with a large number of CPB politburo members. They were also received by the Bolivian vice president, the president of the Chamber of Deputies and the first vice president of the Senate of the Bolivian National Congress.

The delegation also met with several leaders of left-wing parties who are also parliamentarians in the National Congress.

While in Argentina, the party delegation was received by the general secretary of the Argentine Justice Party, Foreign Minister Guido Di Tella, and Deputy Foreign Minister Daniel Catorucio. The delegation held talks with the first vice chairman and the head of the External Relations Commission of the Chamber of Deputies of the National Congress.

During its stay in Argentina, the delegation called at leaders of the Communist Party of Argentina and was feted by the Buenos Aires Capital Party Committee.

At these meetings and contacts, leaders of the ruling parties, state, government, national congress and other social organizations of Bolivia and Argentina highly valued the Vietnamese people's struggle for national liberation in the past and renovation process and national defense and construction at present under the leadership of the Communist Party of Vietnam.

They said these are examples and a source of encouragement to nations struggling for national independence, freedom and development in Latin America and in the world.

They also expressed their wish to further develop bilateral and multi-faceted relationships between Vietnam and Bolivia and Argentina. They asked the party delegation to convey their best regards to the Vietnamese party general secretary, the state president, and the prime minister and others.

### SRV Minister on Trade Renovation Under Socialist Orientation

*962E0066A Hanoi THUONG MAI in Vietnamese
1-15 May 96 pp 4-8*

[A report by Trade Minister Le Van Triet at the National Trade Congress: "Continue To Renovate Trade Organizations and Activities and Develop Markets Under Socialist Orientation"]

[FBIS Translated Text] *Editorial note: At the National Trade Conference held by the Ministry of Trade in May 1996, Minister Le Van Triet delivered an important report entitled "Thoroughly Understand Political Bureau Resolution 12/NQ.TW and Government Directives To Continue Renovating Trade Organizations and Activities and Develop Markets Under Socialist Orientation." Part One of the report which deals with the issue of*

*"Market and Trade Activities After Years of Renovation" cites four major achievements:*

*1. Shifting goods trading from the mechanism of bureaucratic, subsidy-based centralism to the market mechanism, with prices being set on the basis of value and supply-demand relationship.*

*2. Shifting the market from the state of being partitioned and closed according to the administrative boundaries and in an autarkic manner to the state of free circulation of commodities in compliance with market economic laws and the law. With the participation of several economic sectors, potential in terms of capital and technique has been initially mobilized in support of goods circulation, thereby enabling the domestic market to develop vigorously, and rapidly increasing the total amount of social commodities in circulation.*

*3. The foreign markets have been expanded along the line of diversification and multilaterization of external economic relations.*

*4. The forms of services closely linked with goods circulation have developed vigorously, thereby promoting trade and production, contributing to life, creating employment for laborers, and making increasing contributions to the budget.*

*After pointing out the remaining problems and shortcomings and dissecting the state-run trade sector in the renovation process, the report touches on the second issue, namely "Continue To Renovate Trade Organizations and Activities and Develop Markets Under Socialist Orientation."*

*This part deals with two major subjects:*

*Objectives and guiding viewpoints (This section reiterates and further clarifies the three objective and three viewpoints in Political Bureau Resolution 12, which was published in the February 1996 issue of THUONG MAI)*

*In this issue, THUONG MAI brings you the full text of the second section of Part Two of Minister Le Van Triet's report.*

## B. PRINCIPAL POLICIES AND MEASURES

To achieve the aforementioned objectives, the Political Bureau resolution lays down nine principal policies and measures. This is a system of comprehensive and uniform measures. These measures can be systematized in each area as follows:

## I. PERFECT STATE MANAGEMENT OF MARKET AND COMMERCIAL ACTIVITIES

### 1. The function of state management of the market and commercial activities is reflected in the following elements:

a. Formulate specific laws, mechanisms, policies, and regulations to create a legal framework for regulating goods trading and service trading activities, and organize the management of these activities (including statutes for traders; for the founding, dissolution, and bankruptcy of businesses; and for the right to do business and the scope of business; regulations on business registration, on product quality and labeling, on price management mechanisms, on organization of the management apparatus, and so forth).

Disseminate laws, mechanisms, and policies, and guide their implementation; control the implementation of laws, mechanisms, and policies by businesses; through such control, detect difficulties and irrationalities; organize collection of feedback in order to amend or readjust laws, mechanisms, and policies when necessary.

b. Formulate domestic and foreign market strategies. Regularly monitor developments at home and abroad to continue improving the commercial development plans to make them consistent with the socioeconomic development strategy and plans for the whole country and for each region, to meet the requirements of industrialization and modernization, and to be in line with the regional and global integration and association tendency.

c. Determine major balances (supply-demand balance, money-commodities balance, balance of each important kind of commodity...); perfect and correctly use various financial instruments, credit, exchange rate policy, and organizational and administrative measures to regulate the market, orient business activities, and ensure achievement of the socioeconomic objectives in each period.

d. Intensify the building of organizations and the activities of the trade information system nationwide to keep pace with the market situation and business activities and to ensure the database for forecasting work and macropolicy formulation.

e. Organize market control and supervision and struggle against violations of the law in business.

g. Build and perfect the management apparatus and train the cadre contingent.

### 2. Guidelines for improving state management of the market and trade activities

The task of improving state management of the market and trade activities in accordance with the above-cited contents should be carried out along the following guidelines:

**First:**Turn management requirements into laws and ensure unity and uniformity between laws and sublaws and between management procedures and sanctions.

**Second:**Because of the fact that our national market is still primitive and in the process of being improved, the state still has to resort to transitional measures and necessary administrative interference. However, the task of perfecting management policy must be carried out along the line of increasingly limiting administrative interference and using economic measures and instruments as the mainstay. Closely combine plans with the market to strengthen the role of state management on the one hand and to create proper conditions for the market to develop its self-regulating capability on the other. Bring into the fullest play the positive nature of all economic sectors.

**Third:** Correctly handle the relations between centralization and decentralization and ensure the unity of state management in lawmaking and in formulating macromechanisms and policies. At the same time, give broad powers to the staffs of local people's committees in solving local economic and commercial problems in accordance with the orientation of macroplans.

**Fourth:**Coordinate the efforts to improve state management of trade with the need to renovate administrative management in general. Release the state apparatus from the function of directly managing and guiding business activities, uphold the role of the Ministry of Trade in administering unified management of the market and trade activities, and at the same time clearly define the responsibilities of the combined ministries (planning and investment, finance, pricing...) and the ministries in charge of various sectors in formulating mechanisms and policies and regulating commodities circulation.

**3. Concrete solutions:**

a. Perfect the draft Commercial Law and the government decree guiding implementation of this law on the basis of a thorough understanding of the Political Bureau's and government's directions and the National Assembly Standing Committee's suggestions; then submit the draft law to the National Assembly for adoption.

b. On the basis of the Commercial Law, reexamine the sublaw documents, mechanisms, and policies concerning commercial business (including export-import and trade policies in the domestic market) to readjust, revise, and supplement them, thereby ensuring the unity and uniformity between the Commercial Law, which is the principal law, and other legal documents in each specific domain. At present, this task is initially divided into three lists of legal documents:

(1) The list of legal documents that are no longer appropriate and that have been or will be abolished.

(2) The list of legal documents that are still consistent with Resolution 12 and with the draft Commercial Law and that will remain in effect.

(3) The list of legal documents that various sectors should continue to draft according to a division of labor in order to institutionalize Resolution 12 and the Commercial Law.

c. Establish a mechanism to ensure the balance between supply of and demand for essential commodities. To achieve this task, the Ministry of Trade has coordinated with the Ministry of Planning and Investment, the Ministry of Finance, the State Price Commission, and the ministries in charge of specific sectors such as the Ministry of Industry and the Ministry of Agriculture and Rural Development. Draft regulations on ensuring the balance between supply and demand and directing the circulation of some commodities relating to the major balances of the national economy in accordance with the following contents:

Link the methods used in determining needs and organizing and managing export-import activities with the protection of domestic production and protection of consumer interests. Determine the amount of essential commodities to be kept in reserve and the responsibility of various ministries, sectors, and state-owned companies in ensuring supply and demand and stabilizing the market.

Perfect the mechanism of establishing and using the price stabilization fund; reform the tax system to overcome overlap and irrationalities and to create proper conditions for computation and control along the line of gradually approaching the tax systems of other countries in the region and conforming to international commercial practice.

d. Amend and perfect the market strategy, trade development plans, and external economic relations strategy on the basis of the socioeconomic development plan for the 1996-2000 period and the orientation of socioeconomic development until the year 2020 to be laid down by the eighth party congress, taking into consideration the regional and global integration tendency against the background of normalization of relations with the United States and of Vietnam joining AFTA [ASEAN Free Trade Area] and WTO [World Trade Organization] in the near future.

e. Establish a system of trade information technology in accordance with the project already approved by the National Information Technology Program Committee.

Draw up a prefeasibility report in support of investment in the building of this system.

f. Perfect the trade management apparatus from the central level to the provinces and districts. Consolidate organizations and renovate the activities of provincial trade services, bringing into play the role of these services in guiding and organizing the implementation of policies and laws concerning trade management in their localities in accordance with the stipulations of Circular 09/TM-TCCB. It can be said that, as a result of the promulgation and implementation of this circular, the activities of various provincial trade services have been modified in accordance with the need to strengthen state management. In those localities where the leadership of these services is active, dynamic, and capable of securing the guidance of the provincial party and people's committees and effectively coordinating with responsible sectors, there the trade services can satisfactorily perform their functions and duties as defined by Circular 09, state management of the market and trade activities is strengthened, and the roles of the trade services are upheld. In those localities where these factors are lacking, especially where trade service leadership is not active and dynamic, there the results of trade services' work remain very limited.

Determine the form of district-level trade management organizations along the line of establishing a district chamber of industry and commerce to ensure that the need for management is satisfied in conformity with market development and the number of businesses and tradesmen, which is increasing as a result of the development of commodities production and the progress of agricultural and rural industrialization, especially in the wake of the promulgation of the law on cooperatives operating under the new mechanism.

g. Build the market management force, perfect the operational methods of this force to improve the quality of control and supervision, to effectively struggle against smuggling, and to check illegal business practices.

Since the advent of Decree 10/CP, the market management system from the central to local level has been reorganized along the line of standardization and has operated in a more regular manner. However, at present, there still are three localities where branch offices of market management remain subordinate to the province and two localities where no branch offices of market management have been set up. This state of affairs, which has affected the systematic character and organizational uniformity of the market-management system, should be overcome. An important requirement that should be studied and reviewed is to closely link operational methods with market management tasks. The first task is to firmly control and satisfactorily manage businessmen. In the days ahead, implementation of the prime minister's directives on some measures aimed at strengthening the management of production and commercial establishments will create proper conditions for the market-management force to regain firm control over its targets; at the same time, it will require coordinated actions among the state trade management, market management, and tax agencies.

h. Formulate programs for training and retraining the contingents of state managers and business administrators to meet the requirements of the new situation. To satisfactorily fulfill this task, we should promote close coordination between the Ministry of Education and Training and the Ministry of Trade in determining the contents and programs of training in accordance with the principle that the state administers unified management of training contents and programs, including studying the adoption of a policy aimed at expanding training. Consolidate and reorganize the various colleges and intermediate schools of commerce to improve their quality.

## II. ORGANIZE THE MARKET IN EACH AREA

The markets throughout the country are a unified entity with close relations with the structure and development of the productive forces, the amount of commodities, the purchasing power, and the people's standard of living; it is also closely linked with the development plans in each area. Therefore, there should be suitable organizational orientation to ensure convenience in trading activities, to establish order and discipline, and to promote commercial civilization.

### 1. Urban markets

The cities are production and processing centers and concentrated consumption areas with diversified demands. They are communications hubs and originators of commodities capable of orienting and regulating the social market. The urban markets will be reorganized into a multilayered system of different scales. This system comprises the following:

- Large companies specializing in the trading of some groups of key commodities. These companies will perform the duties of originating wholesale buying and selling, closely associating with producers and consumers, investing in production and processing, and building buying and selling networks in various areas with the aim of establishing circulation channels, thereby ensuring steady supply and consumption markets. These companies must also serve as the prop to upgrade production sectors in the industrialization and modernization process.

- General business companies with trade centers and supermarkets where modern, advanced buying and selling methods are applied. Producers and traders from different economic sectors can make joint investment to do business at these centers. Activities of these companies must be aimed at gradually promoting commercial civilization.

- Warehouse and wholesale systems, which send out commodities to regional markets.

- Market and retail store networks established in each population center and street to ensure orderly and civilized buying and selling activities. The direction to follow in reorganizing these networks is to devise plans and create proper conditions for establishing streets that deal exclusively in a specific product line.

The cities are economic and commercial centers of the entire country or each region; they concentratedly embody the relations between production and consumption, industry and agriculture, and city and countryside; they also give expression to the worker-peasant alliance. Therefore, the state-owned trade sector in the urban markets must be capable of controlling important kinds of commodities. Proper conditions must be created for establishing large state-owned companies capable of accumulating and concentrating capital, controlling the wholesale trade, keeping commodities in reserve, regulating the retail market, and ensuring the aforementioned relations.

**2. Rural markets**

In organizing the rural markets, first of all we must ensure that peasants can sell their agricultural products, buy materials for production and goods for daily-life consumption in a convenient manner and at a reasonable price, thereby timely serving agricultural production and the people's life in the countryside and contributing to implementing the resolutions of the fifth and seventh plenums of the Party Central Committee. Township markets and trade and service centers are the principal models for the development of the rural commercial networks. We must promote the building of preliminary processing, classification, packaging, and maintenance establishments, which should be closely linked with production materials, agricultural materials, farm produce, and consumer goods outlets belonging to the state, cooperatives, and other economic sectors in the markets and commercial and service centers. We must establish lasting, steady relations of association between production and trade; on this basis we will promote production, expand the market, and stabilize prices. The countryside is an important market accounting for nearly 80% of the population; the quality of operations of businesses in the rural markets has a major impact on the implementation of party and state policies on the peasantry. Therefore, the state-run trade sector, through its political and economic alliance with the cooperative trade sector, and through its agency network, should intensify its activities and bring into play its role in the rural markets, especially its role in price orientation, thereby preventing the practice of price depression against agricultural producers.

**3. Markets in mountain, interior, and remote areas**

The report on trade in mountain areas presented at this conference has made a detailed analysis of the situation of commercial activities in mountain areas during the 1991-1995 period, and has set concrete objectives and laid down guidelines, and measures to develop trade in mountain areas from now until the year 2000. Because of weak productive forces, poor communications, autarkic economic practices, undeveloped commodities exchange, the markets in these areas have not yet been established as in those areas with a commodities-based economy. For this reason, along with encouraging private traders to do business in mountain, interior, and remote areas, we should consolidate the state-run trade sector to buy up products and supply the people in localities down to villages with commodities as stipulated by official policy. We should make the fullest use of various state forces (forestry sites, medical aid stations, border defense forces, mountain-area teachers...) to set up a network of state trade agencies to carry out this task. We should bring into play the roles and capabilities of the general corporations specializing in specific kinds of goods to support the development of the trade sector in mountain areas. In mountain areas, fairs are very important forms of market organization. These fairs are not only places for the convergence of exchange and trading needs but also an environment for the integration of and exchange between different areas and for the promotion of goods production.

Organization of the markets in various areas in accordance with the above-cited orientation is closely linked with the need to establish a commodities trading network for each business, each trading entity, for the purpose of shaping goods-circulation channels. An agency is one of the important methods of setting up that system. The Ministry of Trade has requested that the government promulgate a decree on the statutes of commodities-trading agencies to replace the separate statutes promulgated by different ministries in the past, thereby creating a common framework embodying the diversified character of this method in reality.

## III. PERFECT THE ORGANIZATION AND MANAGEMENT OF THE STATE TRADE SECTOR

### 1. Concerning the leading role of the state trade sector

To ensure socialist orientation of development in the multisectoral trade system, the state trade sector must assume the leading role. We must strengthen the state trade sector, thereby turning it along with other state-run economic sectors as well as the collective economic sector into the foundations of the new regime. But this leading role cannot be measured by the number of businesses controlled by the state trade sector, or by this sector's capability to deal in all kinds of goods or to assume all stages of the production process. This leading role is reflected in the capability to firmly control important areas and links that have a far-reaching impact on the national economy; it is also reflected in the capability to guide, organize, and associate market forces on the basis of modern, progressive business methods, thereby ensuring the creation of internal strength for the development of the state trade sector itself.

On the other hand, it can be clearly seen that, in view of the growth rate of the gross domestic product and the increasing total of goods circulation in the social market (in the 1991-1995 period, the GDP increased by 8.2% per year on the average and the total of goods circulation went up by 20% per year), even if we want to develop the state trade sector in proportion to the increase in the total of goods circulation, we will not have enough capital to do so. In reality, the other economic sectors are in the process of accumulating and concentrating capital to expand business. By early 1996, the registered capital of foreign-invested enterprises totaled $18 billion, and the capital actually invested was $8 billion (nearly 90,000 billion Vietnamese dong). This capital will create commodities, and those foreign-invested enterprises will organize the selling of these commodities. If the state trade sector continues to use the "capital proportion" as the criterion for judging the level of socialist character, and if we continue to develop the state trade sector in all lines of goods and to do business at all stages of production, the state trade sector will not be able to concentrate on the most important lines of goods and stages of production. This will result in the state trade sector leaving important areas unoccupied, thereby ceding its place to foreign capitalists and other economic sectors. This is the danger—the danger of the state trade sector losing its role in the market.

### 2. Organizing the state-run trade sector

At this conference, the Ministry of Trade presented the Draft Circular giving guidance on rearranging and reorganizing the state trade sectors in accordance with Prime Minister Directive 500/TTg, which suggests that all sectors and localities contribute ideas prior to promulgation. To satisfactorily carry out these tasks, it is necessary to have a firm grasp of the guidelines regarding the organization of the state trade sector spelled out in the Political Bureau resolution. Those guidelines are:

*Firmly control export-import. Control the wholesale trade, gain a necessary proportion of the retail trade, enough to stabilize supply and demand and the prices of some commodities essential to production and the people's life such as rice, fuel, fertilizer, sugar, cement, iron and steel, iodized salt, and high-grade items.*

Consolidate existing state-run trade units and renovate their operational mechanisms and methods to ensure that they can fulfill their tasks and do business in an efficient manner. Develop new businesses with sufficient potential in important domains, areas, and lines of goods in conformity with the change in the economic structure.

Expand the forms of joint venture and association between the state economic sector in general and the state trade sector in particular with other economic sectors at home and abroad in various forms of state capitalist economy.

Reorganize the state trade units in each area that are not subordinate to the management levels in charge. Select important branches of goods and those that can accumulate large amounts of capital for the state budget and that have a decisive impact on the determination of macrobalances to continue establishing specialized general corporations. These corporations will engage in production while carrying out commercial activities to quickly enhance their capability to accumulate and concentrate capital for renovating equipment and technology, expanding the market, and enhancing economic efficiency.

Establish a number of general trading corporations, link export-import with domestic business, create new capabilities in organizing commodities sources, mobilize all potential in terms of capital and material and technical bases to quickly build supermarkets operating in accordance with modern methods in major cities, first of all in Hanoi and Ho Chi Minh City.

Create proper conditions for specialized general corporations and general trading corporations to open branches and bank accounts abroad and to carry out intermediary services in the international markets in accordance with stringent regulations.

Develop the retail network and trading agency system of the state trade sector, considering an agency to be an important method of expanding the market, in particular the retail market. Through the agency system and various forms of state capitalism, the state trade sector will perform its functions of supporting, guiding, and associating other economic sectors and ensuring that they develop in the right direction.

In the process of reorganizing to overcome overlap and scattering, we should avoid the tendency to go for large-scale concentrations without devising proper business plans or without paying attention to efficiency.

Bring into play the organizing role of the owner, namely the state, to promote association between general corporations and medium and small corporations within the state trade sector, and between the state trade sector and cooperative economic organizations, thereby creating an aggregate strength of these two sectors in the market for regulating supply and demand, stabilizing prices, and competing with other economic sectors. Prevent the state of authoritarianism in those state trade units entrusted with the task of dealing in a number of essential commodities.

Partly or totally corporatize those businesses in which the form of state ownership is deemed no longer necessary to maintain. Use appropriate forms and measures to definitively deal with those businesses that are chronically in the red.

### 3. Perfect the management of the state trade sector

The Political Bureau resolution has determined the direction to follow in perfecting the management of the state trade sector. On the basis of this guideline, from now on the task of perfecting the management of state-owned businesses will be carried out in accordance with the following concrete contents and requirements:

a. Determine a mechanism to ensure the state's ownership role vis-a-vis state-owned businesses.

Clearly distinguish between the responsibilities and powers of the owner state and those of the directors and workers of those businesses using state-provided capital for business operations. The Law on State-owned Businesses stipulates the setting up of an administrative board in all general corporations (in accordance with Decision 90/TTg and Decision 91/TTg) and major businesses. The Ministry of Planning and Investment has advised on the criteria for determining whether a business should set up an administrative board.

The administrative board, performing its functions of the owner state, will decide on:

- Business plans and projects aimed at ensuring the leading role of state-owned businesses.

- Investment projects aimed at developing businesses.
- Financial balance.
- Measures to mobilize capital and profit distribution plans.
- Cadre work.

In those businesses where there are no administrative boards, it is necessary to determine a mechanism for coordination between the General Department of State Business Property and Capital Management and the agency that founded the business in order to perform the functions of an owner in:

- Development investment.

- Property and capital management.
- Cadre work.

Business directors may take the initiative in organizing and managing business activities in accordance with the set targets.

b. On the basis of organizing surveys and analyses of the financial figures of a number of businesses in some commodities branches to determine efficiency standards, we should rely on these standards to evaluate and select administrative board members and business directors.

c. Carry out surveys and reviews of the various forms of contract used in the state trade sectors over the past few years, select good models applicable to several forms of business, and disseminate these models to businesses for use in providing clear guidelines for contracting activities.

d. Inventory and reassess the value of land and property in state-owned commercial enterprises, carry out classification, and devise suitable policies concerning these assets so that businesses can put them to use. In case a business fails to use or inefficiently uses the land, warehouses, and workshops it has appropriated, we should take these assets back and use them to create new sources of capital for those businesses lacking it.

e. Experimentally turn part of the production fund and welfare fund according to a mandatory percentage into share capital of cadres, workers, and civil servants, thereby inducing laborers to pay attention to the development and results of business and speeding up the process of ownership diversification in the state-owned trade sector.

g. Expand the application of the new accounting system, strengthen audit work, first of all in large-scale businesses with substantial returns and in inefficient businesses; use audit results as the basis for devising measures to improve management and bring out the capability of businesses to mobilize the capital of cadres, workers, and civil servants and to issue shares.

h. Make a study of the recent experimental equitization process to propose a clear policy on business corporatization, thereby creating favorable conditions for cadres, workers, and civil servants to buy shares. A distinction must be drawn between businesses having different pre-equitization profit-earning capability and post-equitization conditions for growth. On that basis, we should corporatize those state-owned businesses the capital of which does not need to be kept 100% state-owned.

### 4. State trade in relation to the trade of other economic sectors

The leading role of state trade has been discussed above. The Political Bureau resolution clearly points out:

Concerning cooperatives: "**Review the actual state of marketing cooperatives in the past few years, bring out newly-emerging good models.**" Basing itself on the Law on Cooperatives (adopted recently by the National Assembly) and the experiences of good models, the government will formulate specific policies to be applied to the form of service trade. On that basis, the government will direct the consolidation and building of new marketing cooperatives, first of all in the rural areas.

Concerning other economic sectors: ***"Bring into play the positive side of the other economic sectors in expanding the market, developing commodities exchange, organize and guide these sectors in doing business in accordance with the law and scrupulously complying with tax policies and various regulations on business registration, accounting system, invoice, voucher.... Build relations of business cooperation and association between the state trade and the trade of other economic sectors. Create favorable conditions for and encourage the trading organizations of other economic sectors to invest in production and to combine production and trade. Struggle against negative phenomena and overcome the state of unhealthy competition and mutual annexation."***

### III. STRENGTHEN PARTY LEADERSHIP IN TRADE

Party leadership is a decisive factor in fulfilling the task of ***"continuing to renovate commercial organizations and activities and to develop the market under socialist orientation."*** *The Political Bureau resolution raises the following requirement:* ***"Perfect the leadership of the party affairs committees and party committee echelons in state agencies for trade management to ensure thorough implementation of the party's renovation policy in trade policymaking. Consolidate cadre management organizations, heighten the militancy and leadership roles of party committee echelons and party organizations in general corporations and corporations in determining business orientation and checking and struggling against negative manifestations concerning viewpoint, ideology, and ethic right in businesses. This is aimed at enhancing efficiency and bringing into play the leading role of state trade in the market.***

**"Reorganize the activities of party organizations in foreign-invested enterprises. In units belonging to other economic sectors, ensure party leadership over the mass organizations, cadres, workers, and civil servants; supervise their compliance with the law; and protect the interests of the state and laborers.**

***Correctly implement the principle that the party exerts unified leadership over and administers unified management of cadre work."***

Nowadays, commercial activities are taking place in all sectors and areas. Therefore, the task of strengthening party leadership over trade must be carried out in all sectors and at all levels, with the leadership of party committee echelons and primary party organizations in businesses being particularly important. These are the units that hold the state's property and organize the trading process; they are also the force that directly develops and expands the market. The primary organizations themselves do not decide everything but do everything.

The Party Affairs Committee and the leadership of the Ministry of Trade would like to propose that after this conference, all sectors and localities should organize a thorough study of Political Bureau Resolution 12/TW. On the basis of this report and the various guidelines provided by the Ministry of Trade, all sectors and trade should formulate programs of action aimed at implementing the Political Bureau resolution and the government directives in the commercial domain in a way consistent with the characteristics of each locality.

## Australia

### Australia: Fischer on U.S. 'Heavy-Handed' Pursuit of Human Rights

*BK1008095096 Sydney THE SYDNEY MORNING HERALD in English 10 Aug 96*

[Report by Alicia Larriera — received via Internet]

[FBIS Transcribed Text] The Minister for Trade, Mr Fischer, has been quick to back the views of the former Labor Prime Minister Mr Bob Hawke by launching his own attack on the United States's "heavy-handed" pursuit of human rights issues in Asia.

During a conference address in Jakarta on Thursday, Mr Hawke accused the US of hypocrisy — lecturing others about human rights in East Asia, given its failure to deal with gun-related deaths, poverty, low wages and violence within its own borders.

Mr Fischer said yesterday: "I listened with interest to [Mr] Hawke's comments... I think there is a point to be made that you don't go in heavy-handed lecturing of Asia on human rights — I never have."

Asked if he thought the US was heavy-handed, he replied: "At times the US is heavy-handed with regard to pursuing human rights issues, at times, yes..."

He said he would "purposefully raise human rights issues in [the] proper context from time to time" when he visited Asia — next week he will be in Brunei and Vietnam — and noted that each country "has its own particular problem areas to address".

But he made a point of emphasising that while Asia would remain a first priority, it would not be to the "exclusion of everywhere else".

Yesterday, on the day when he released a report into Australia-US trade and investment relations, and detailed a strategy to boost opportunities for Australian business in the US, Mr Fischer renewed his attack on the Clinton Administration's laws against companies trading with Cuba, Libya and Iran.

Addressing the American Chamber of Commerce in Sydney, Mr Fischer departed from his prepared speech to say: "The relationship [with the US] has never been, and will not be in the future, trouble- free."

Although the Australian Government shared the US's commitment to the "elimination of terrorism from the world", Mr Fischer described as "punitive" the so-called Helms-Burton law imposing sanctions against companies dealing with Cuba if properties owned by US interests before the 1959 revolution and confiscated by Fidel Castro in the mid-1960s, are involved.

He was critical of new sanctions which could see companies banned from selling goods and services to the US if they invest more than $52 million a year in the energy sectors of Libya and Iran.

"We consider this practice to be inconsistent with basic principles of international law and sovereignty — and dubious in terms of a practical effect," he said.

Mr Fischer said the Australian Government would be raising the issue at every possible stage with the US Administration.

"It is an area where there is sharp disagreement between Australia and the USA — I make no apology for stating that in clear terms..."

Speaking after his address, Mr Fischer went further: "Extra- territorial legislation of this kind is a sledgehammer heading in the wrong direction."

### Australia: NCGUB Prime Minister Delivers Address in Canberra

*BK1008092596 (Internet) BurmaNet News in English 8 Aug 96*

[Report by Amanda Zappia]

[FBIS Transcribed Text] Canberra, August 8 — Dr. Sein Win, prime minister of the National Coalition Government of the Union of Burma [NCGUB], attended a protest rally organized by the Australia-Burma Council in front of the Burmese embassy in Canberra on August 8, 1996. The rally attended by about 300 members of the Burmese community was given extensive coverage by the Australian media. All five Australian TV stations—Win, Prime, SBS, ABC and Capital— as well as radio stations covered the story.

The rally was also attended by Senator Vickie Bourne who called for Australian investments to be withdrawn from Burma "because it is immoral" to deal with the ruthless military junta. Sir William Keys in his address to the rally expressed his support for the Burmese democracy movement saying that "it was time for Australia to impose sanctions" because "good-will gestures were no longer good enough."

Earlier in the day Prime Minister Dr. Sein Win met with former Foreign Minister Senator Gareth Evans, who is currently the shadow Treasurer, and discussed measures that can be taken to bring democracy to Burma. He also met Senator Vicki Bourne who pledged to support the boycott call by Dr. Sein Win and the Burmese democracy niovement against Australian businesses working with the military junta.

On August 6, he met Senator Margaret Reid who is slated to be the new President of the Senate. Dr. Sein

Win told the Senator that it was vital that regional countries like Australia voice their protest against the increasing repression against the democracy movement in Burma. The Senator agreed with Dr Sein Win's suggestion.

During the tour, Dr. Sein Win will also be meeting the Australian foreign minister Alexander Downer and Deputy Prime Minister Tim Fischer to discuss Burma.

The following is Dr. Sein Win's speech to the protest rally in Canberra today:

Today marks the eighth anniversary of the popular uprising for democracy in Burma. The people who had lived under a military dictatorship for over 26 years eagerly responded to a call for nationwide strike by the students and brought down that government. The generals loyal to that government however staged a bloody coup gunning down thousands and arresting many more.

However, the 'Spirit of 8-8-88' [8 August 1988] had given birth to an organized movement for democracy in Burma. Even though the military had murdered and imprisoned thousands, the movement for democracy refuses to die and has grown steadily. As evident by the gathering here today, the movement for democracy has gained many friends and supporters worldwide.

The core strength of the movement however is the people inside Burma who continue to support the National League for Democracy [NLD] led by Daw Aung San Suu Kyi. Despite the threat of arrest and harsh prison terms, thousands turn up at Daw Aung San Suu Kyi's residence at weekends to listen to her speeches and express their support for the NLD.

The massive support for the NLD is being seen as a threat by the ruling military junta. It has stepped up its threat against NLD supporters and increased the suppression of the NLD members. The most glaring examples are the massive arrests of NLD representatives in May and the very recent deaths in custody of elected NLD representative U Hla Than and of honorary Norway consul Leo Nichols both of whom underwent harsh treatment in prison.

Today, the military junta while promising the international community it will restore democracy to the country is refusing to settle national problems through dialogue and the process of national reconciliation as called for by Daw Aung San Suu Kyi. It is trying to reinstate a political system that is under the control of the military and legitimized through a constitution that is being drafted by delegates, most of whom are hand-picked by the generals.

This ambitious scheme of the generals is being financed by businesses which place their profits above human suffering. Without the inflow of funds from investments and businesses who arm the massive army that protect the wealthy generals, democracy would have long prevailed in Burma.

The main goal of the National Coalition Government of the Union of Burma has always been identical to the aspiration of all the people in Burma, that is, to restore democracy and human rights. It has time and again appealed to the international community not to invest in Burma at this time because investments dissuade the generals from entering into any meaningful talk to settle political problems.

In memory of the thousands of people that were killed by the military on August 8, 1996, I am repeating that call today. On behalf of the National Coalition Government, I wish to express my thanks to the conscientious companies that have stopped doing businesses with the Burmese generals. I also urge the people here in Australia and all over the world to boycott businesses that continue to abet the generals. Stop the investments. It is time to stop the suffering in Burma.

On the 22nd August 1996 at the National Press Club I will launch a campaign on behalf of the Burmese Women's Union, the National Union of Students and the Australia Burma Council. This campaign will encourage a boycott of companies in Australia choosing to do business with the SLORC [State Law and Order Restoration Council [SLORC]. We will encourage you to join that boycott.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

## *SUBSCRIPTION INFORMATION*

**U.S. Government Customers**

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

**Non-Government Customers**

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.